



FOREX TRADING

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CHAPTER 1

The Great Big World of Financial Markets

fig. 1

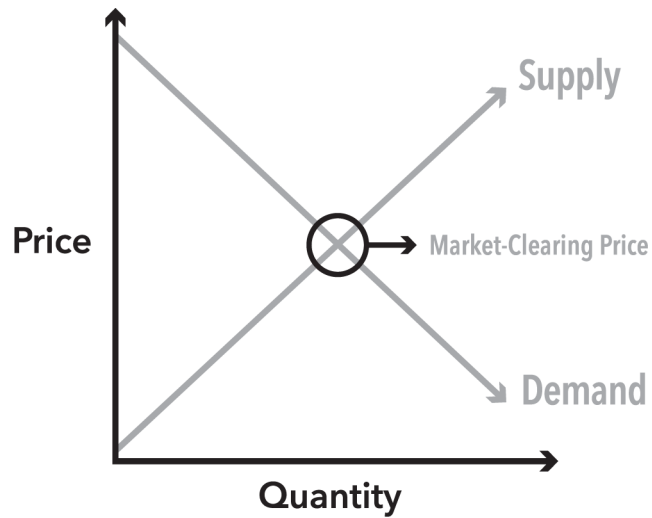


fig. 2

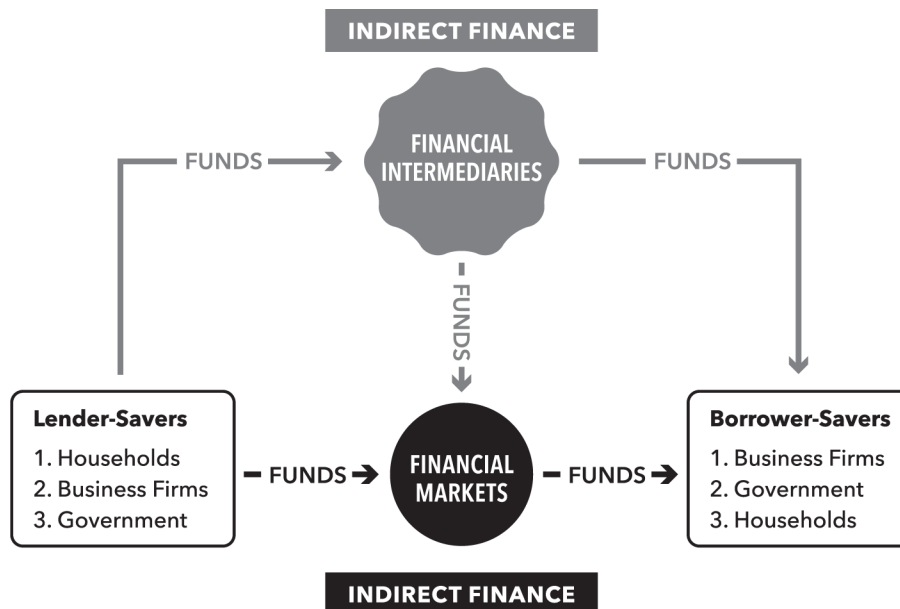


fig. 3

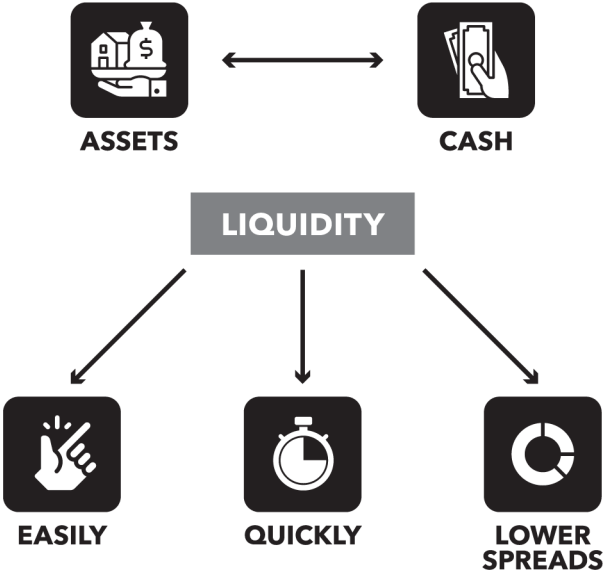


fig. 4

	COMMON STOCK	PREFERRED STOCK
PROS	<ul style="list-style-type: none">• Potential for higher long-term return• Voting rights	<ul style="list-style-type: none">• Dividends are typically higher, fixed, and guaranteed• Share price experiences less volatility• Preferred shareholders are more likely to recover at least part of their investment in case of bankruptcy
CONS	<ul style="list-style-type: none">• Dividends, if available, are often lower, variable, and not guaranteed• Stock price and dividend may experience more volatility• More likely to recover at least part of their investment in case of bankruptcy	<ul style="list-style-type: none">• Lower long-term growth potential• No voting rights in most cases
BEST FOR	Investors looking for long-term growth	Investors looking for income

CHAPTER 2

Understanding the Forex Market

fig. 5

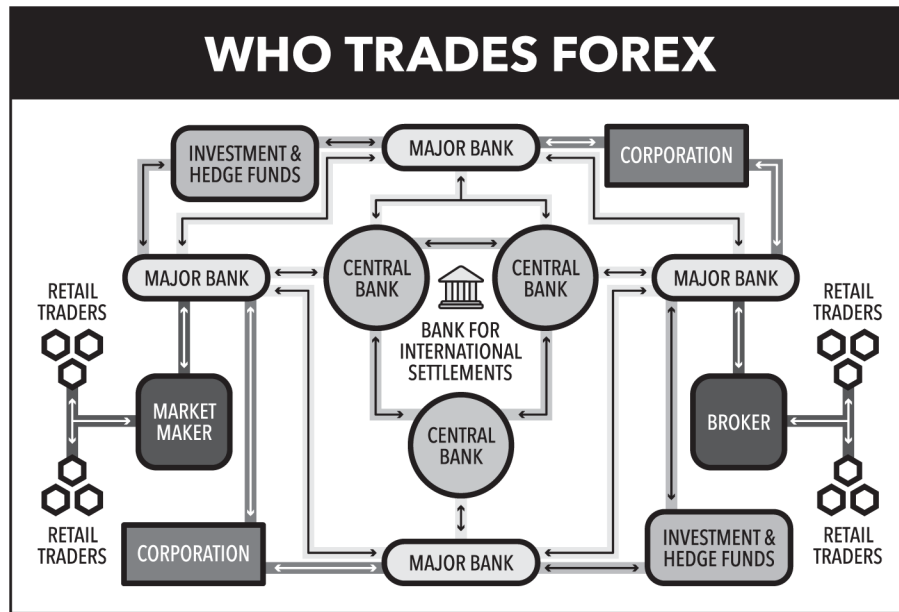


fig. 6

SHARE OF FOREX MARKET ACTIVITY IN 2020			
Rank 2020	Rank 2019	Counterparty	Market Share % 2020
1	1	JPMorgan	10.78%
2	5	UBS	8.13%
3	4	XTX Markets	7.58%
4	2	Deutsche Bank	7.38%
5	3	Citi	5.50%
6	8	HSBC	5.33%
7	11	Jump Trading	5.23%
8	10	Goldman Sachs	4.62%
9	6	State Street	4.61%
10	9	Bank of America	4.50%

Source: Euromoney

Please note that these numbers are adjusted for swap agreements.

fig. 7



CHAPTER 3

Currencies and Lot Sizes

fig. 8

EURUSD Daily X									
L: 1.19492	0.00383	0.32%	B: 1.19491	A: 1.19493	O: 1.19106	Hi 1.19557	Lo 1.18780	V0 B50	AS0 TS0 TRFOREX

fig. 9

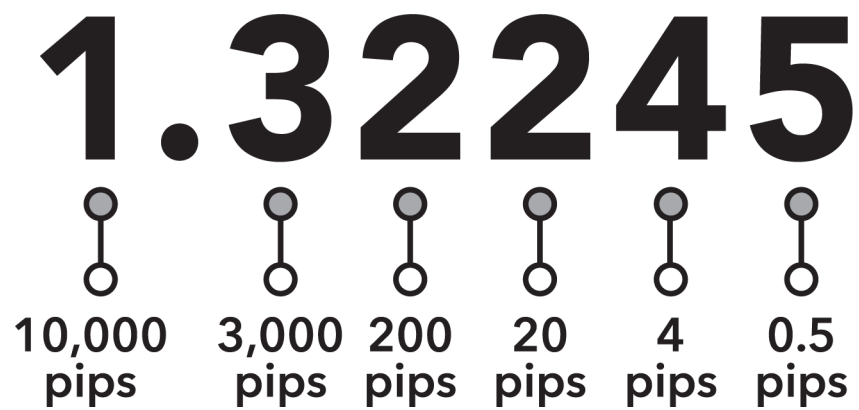


fig. 10

LOT NAME	AMOUNT OF BASE CURRENCY	VALUE OF A PIP AT .0001
Standard	\$100,000	\$10.00
Mini	\$10,000	\$1.00
Micro	\$1,000	\$0.10
Nano	\$100	\$0.01

CHAPTER 4

Factors that Affect Currencies

fig. 11

WHAT CHANGES	HOW IT CHANGES	EFFECT ON CURRENCY
Real Rate of interest	↑	↑
Real Rate of interest	↓	↓
Inflation	↑	↓
Inflation	↓	↑
Nominal rate of interest	↑	?
Nominal rate of interest	↓	?

fig. 12

WHAT CHANGES	HOW IT CHANGES	EFFECT ON CURRENCY
Amount of National Debt	↑	↓
Amount of National Debt	↓	↑
Sovereign Credit Rating	↑	↑
Sovereign Credit Rating	↓	↓
Current Account Deficit	↑	↓
Current Account Deficit	↓	↑
International Investment	↑	↑
International Investment	↓	↓
Net Effect	?	?

CHAPTER 5

Determining If Forex Trading Is Right for You

fig. 13



CHAPTER 6

Choosing a Broker and a Platform

fig. 14

COMPARISON-SHOPPING QUESTIONS

Is the broker regulated?

Yes

No

Keep Going

Find Another Broker

What type of broker is this? **Circle one:** DD NDD

What is the minimum account size? _____

What is the withdrawal policy? _____

How much leverage is allowed? _____

What are the offerings?

☐ major pairs

☐ cryptocurrency

☐ minor pairs

☐ options

☐ exotic pairs

☐ futures

What are the commissions? _____

What is the minimum spread? _____

Are there fees? _____

What trading platforms are offered? _____

How is the customer service? _____

Broker evaluation checklist

CHAPTER 7

Using Technical Analysis

fig. 15

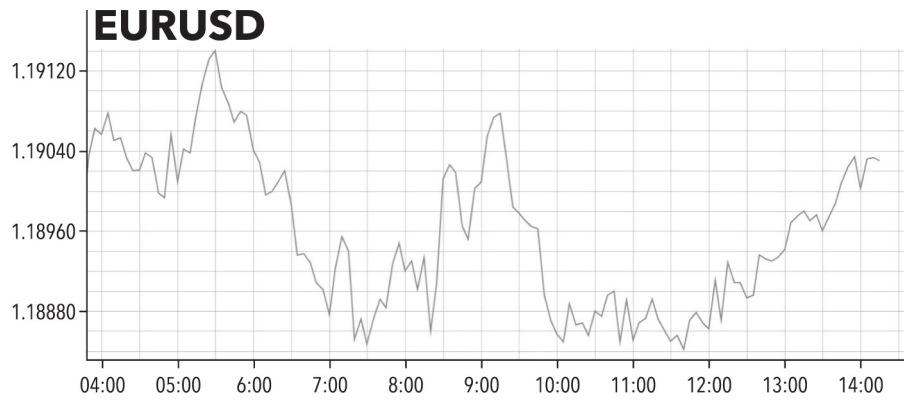


fig. 16

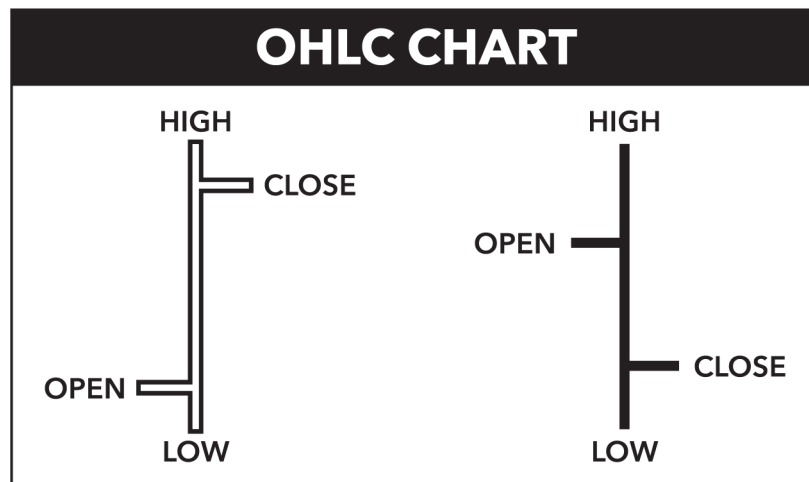


fig. 17

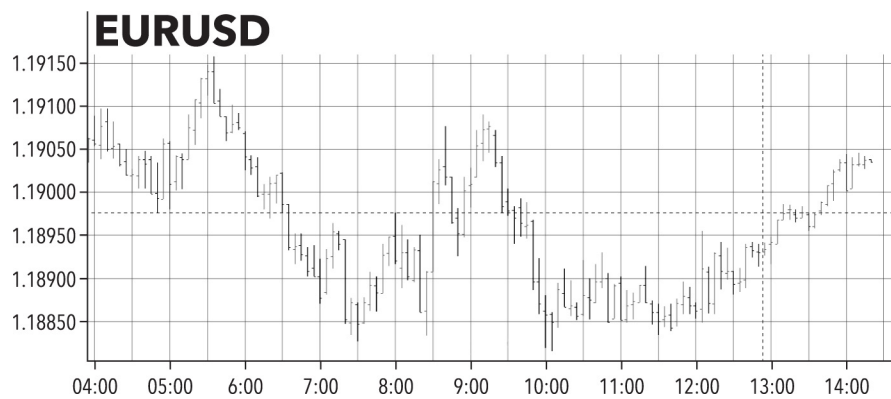
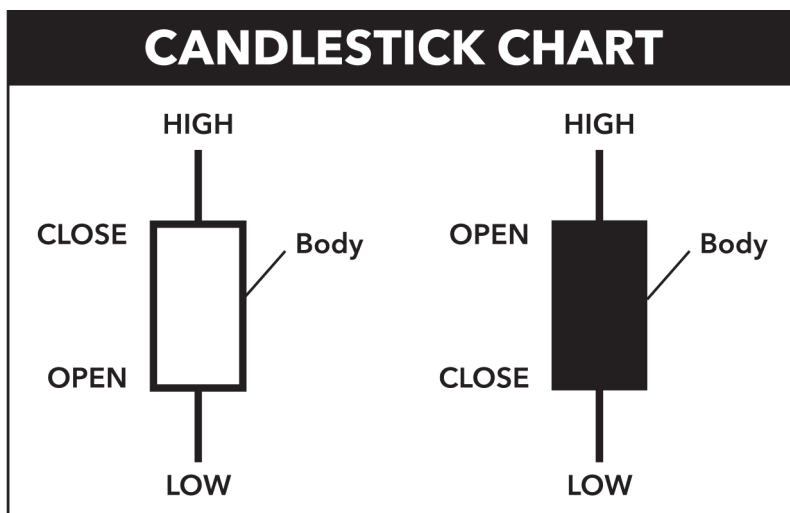


fig. 18



Notice how they look like candles that can be burned at both ends?

fig. 19



fig. 20



fig. 21



fig. 22



fig. 23



fig. 24

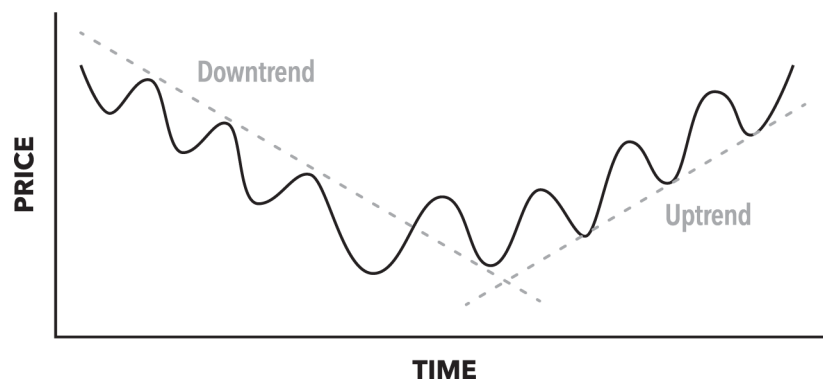


fig. 25

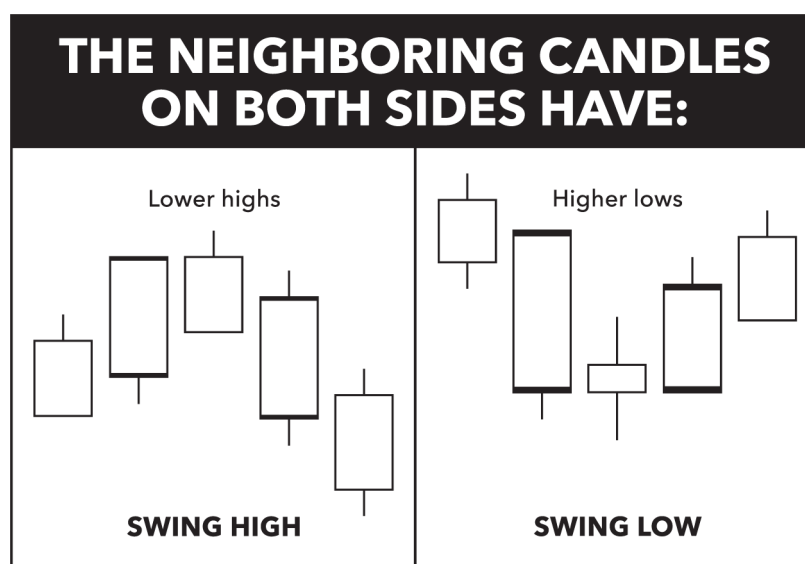


fig. 26

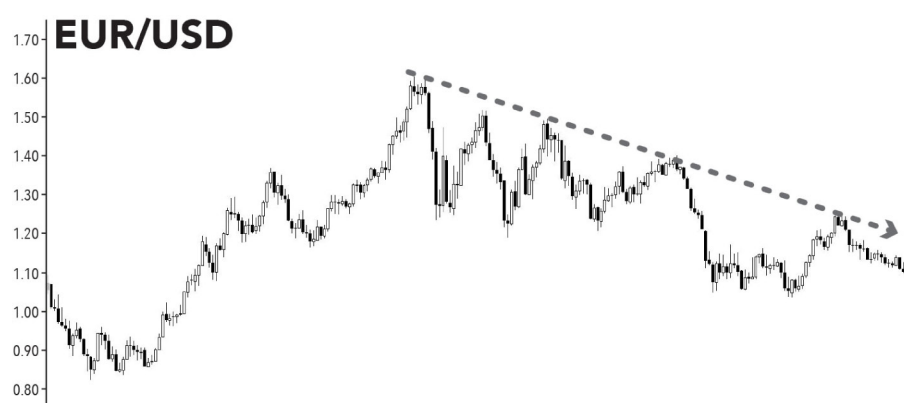
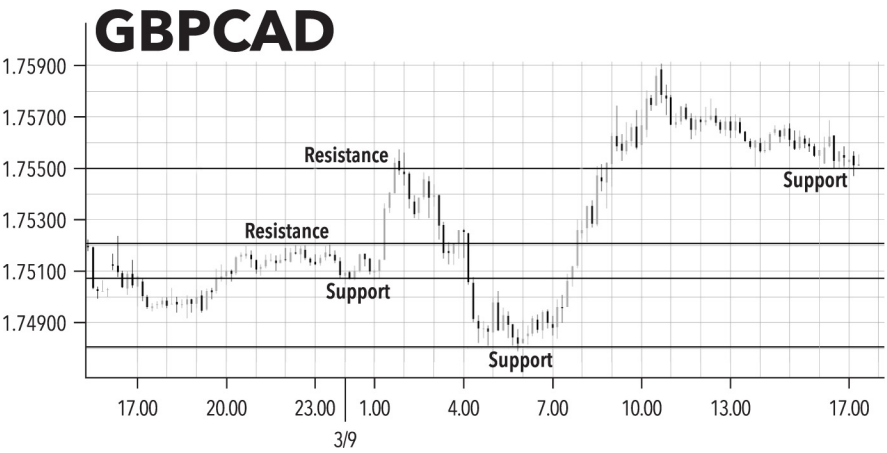


fig. 27



CHAPTER 8

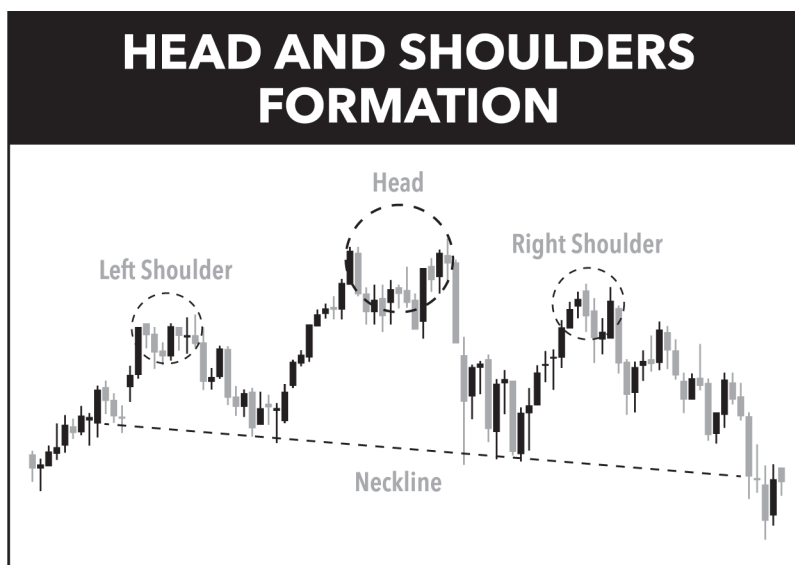
Understanding Chart Patterns

fig. 28



An example of an upward trend

fig. 29



A stylized example of a head and shoulders formation

fig. 30

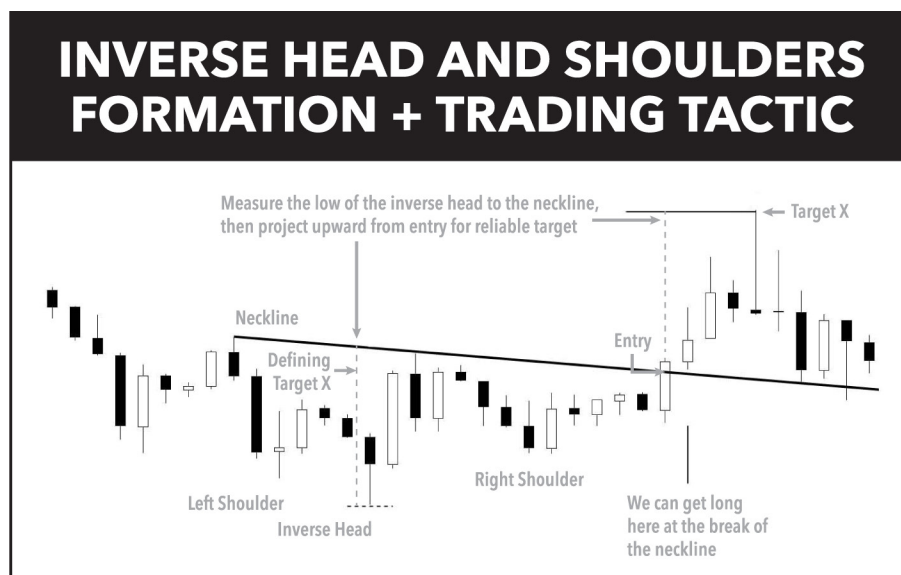


fig. 31

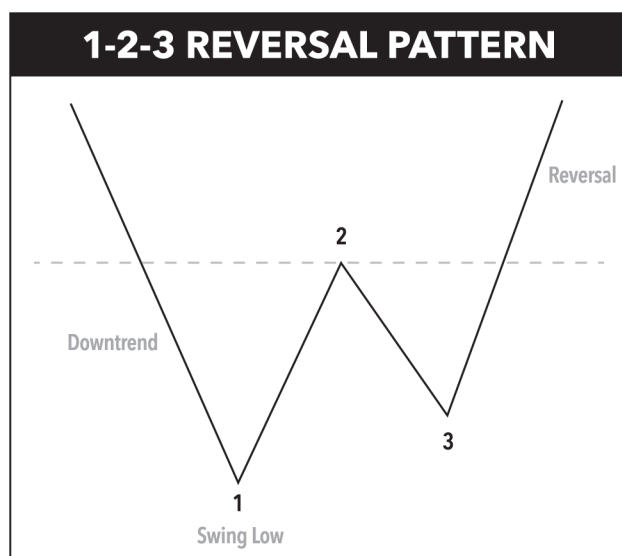
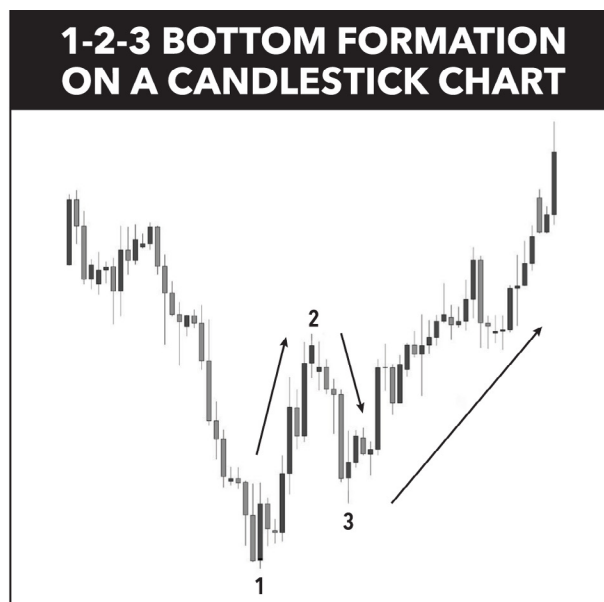
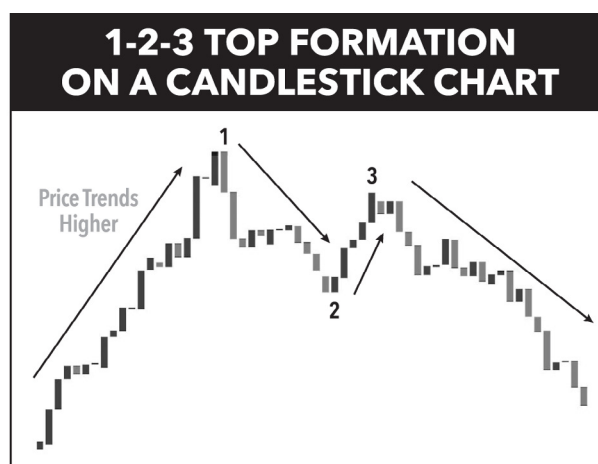


fig. 32



In this chart the 1-2-3 pattern helps us identify the bottom of the price action after the movement from point 2 to point 3 fails to establish a lower low and then proceeds to move up past point 2 and higher, defeating any would-be resistance at that level.

fig. 33



In this chart the 1-2-3 pattern helps us identify the top of the price action after the movement from point 2 to point 3 fails to establish a higher high.

fig. 34

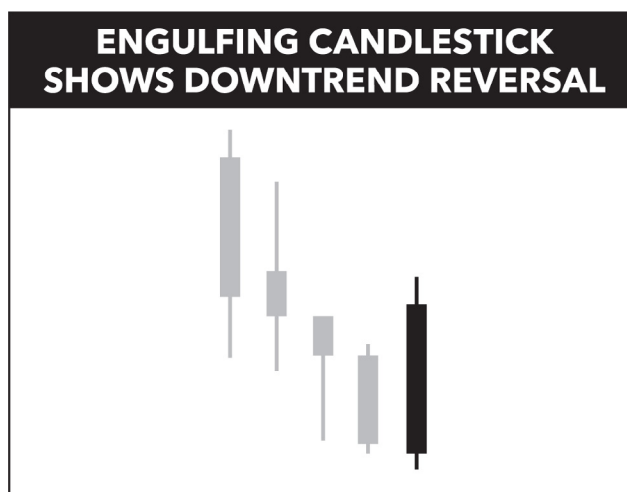


fig. 35

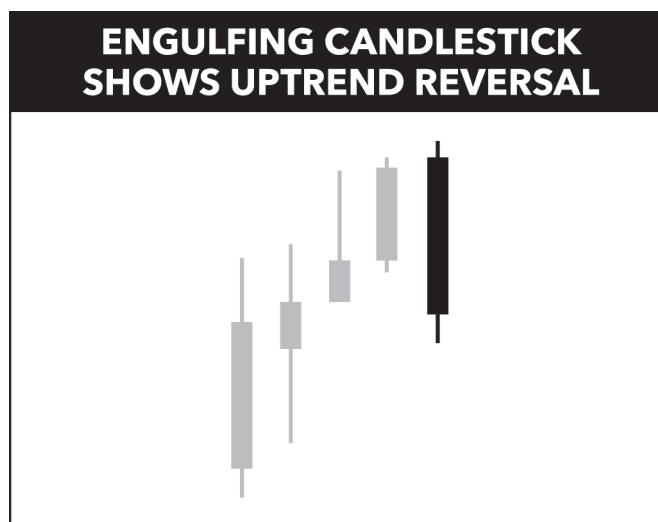


fig. 36

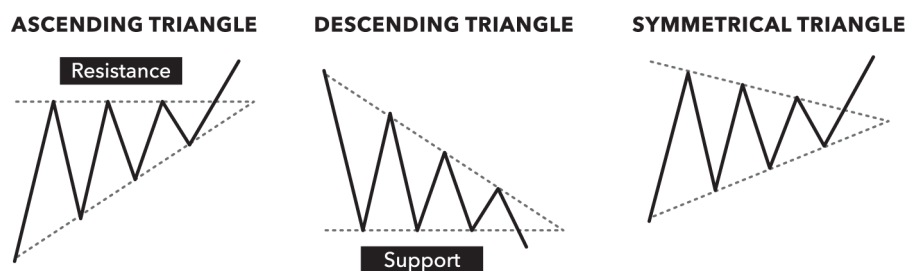


fig. 37

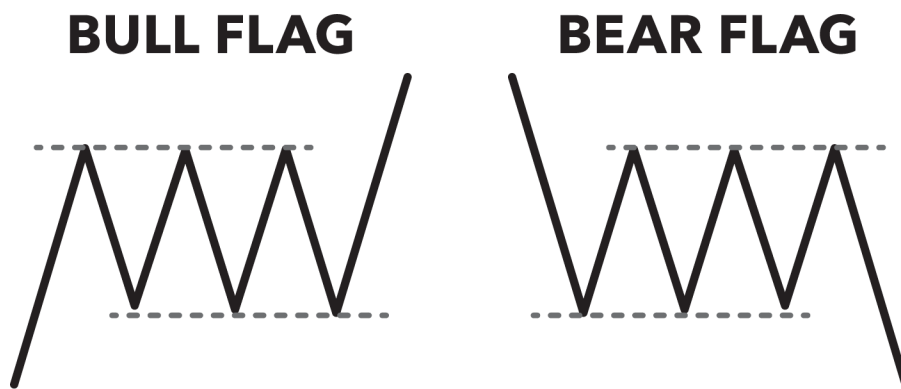
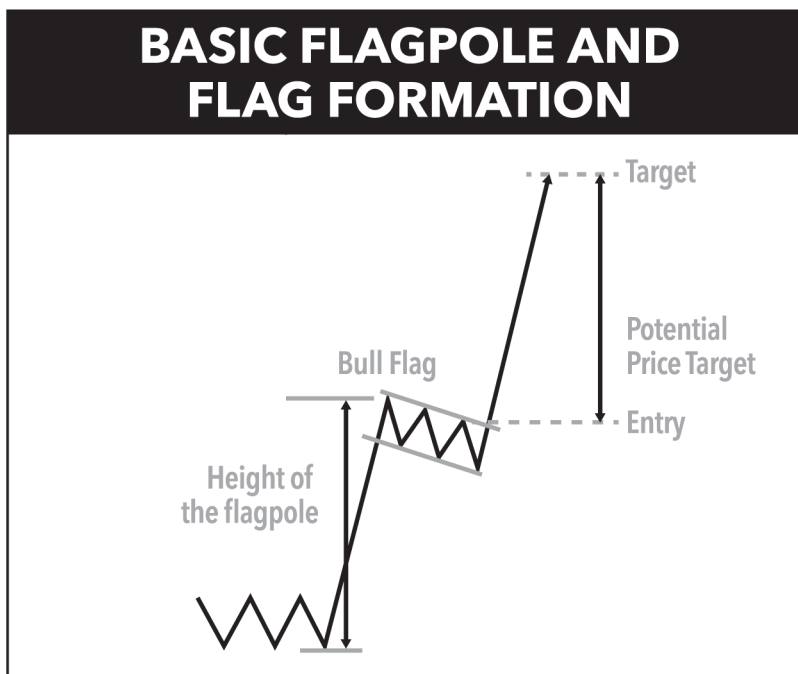


fig. 38



CHAPTER 9

Understanding Indicators

fig. 39



The 20-day SMA added to the AUD/USD daily chart

fig. 40



Compared to the SMA, the EMA is more sensitive to recent price bars.

fig. 41

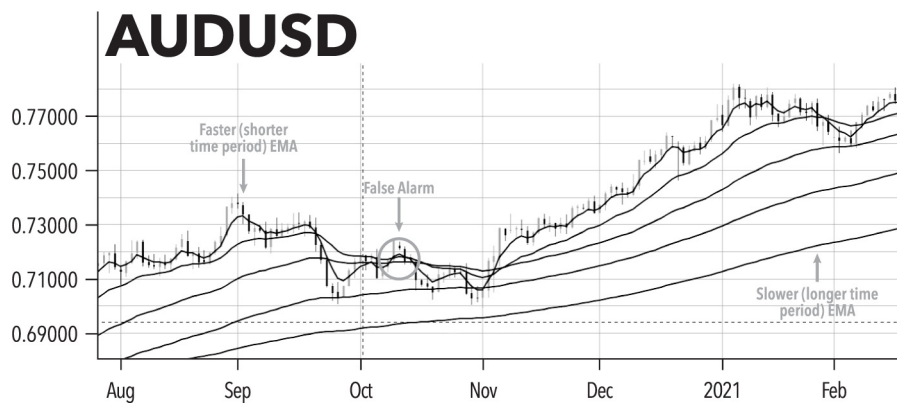


fig. 42

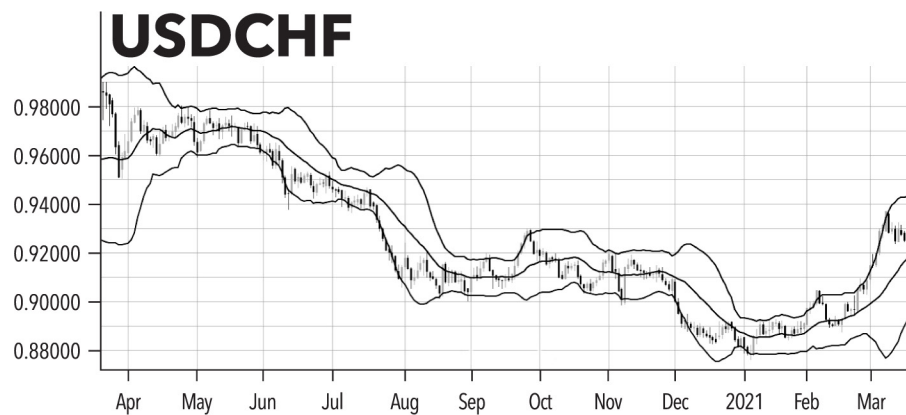


fig. 43



fig. 44



The RSI is shown below the price bars. Note that the RSI is a moving average and has its own trend lines.

fig. 45

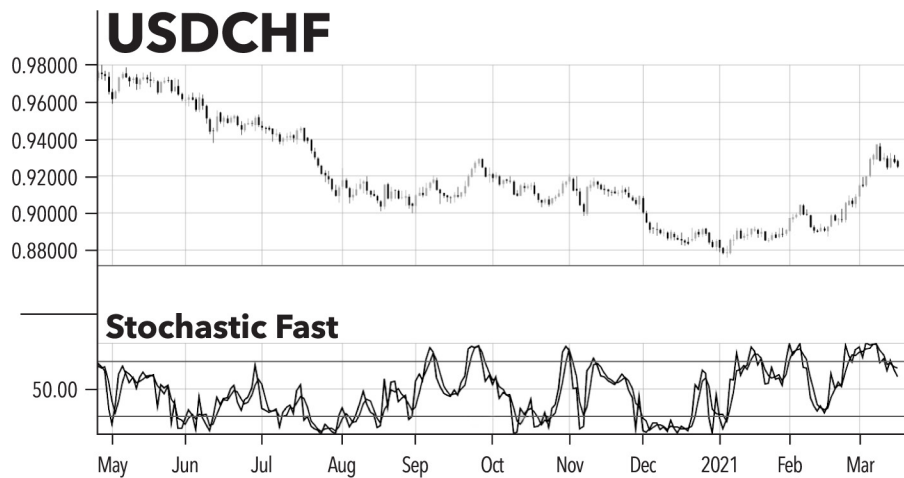


fig. 46

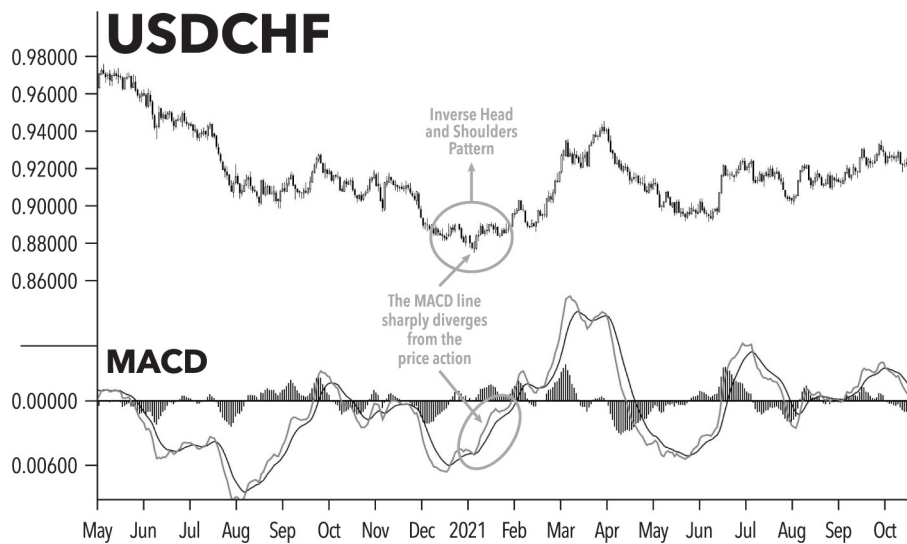


fig. 47

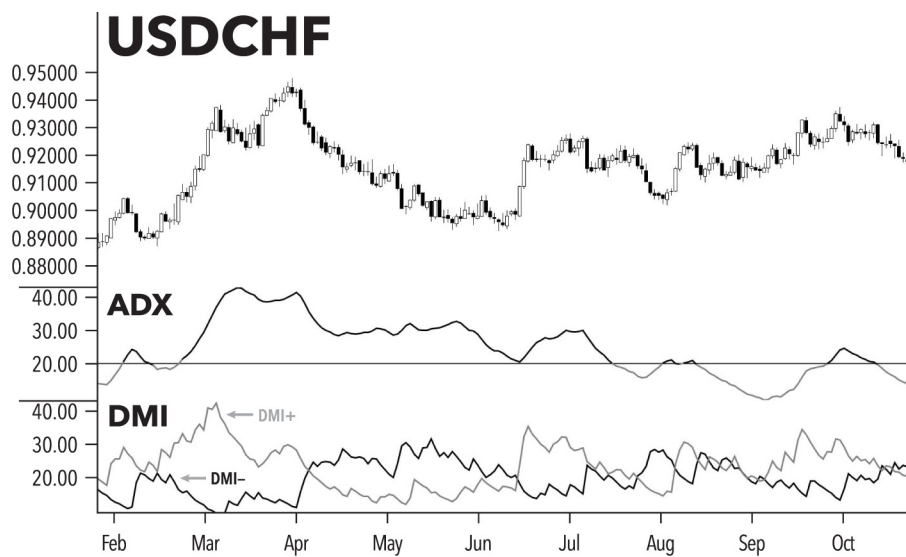


fig. 48



fig. 49



CHAPTER 10

Applying the SMA Indicators

fig. 50

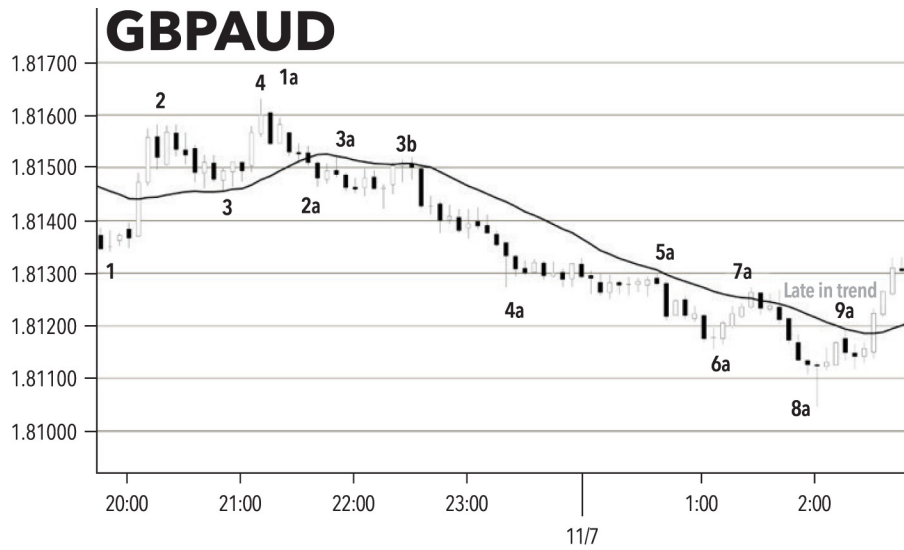
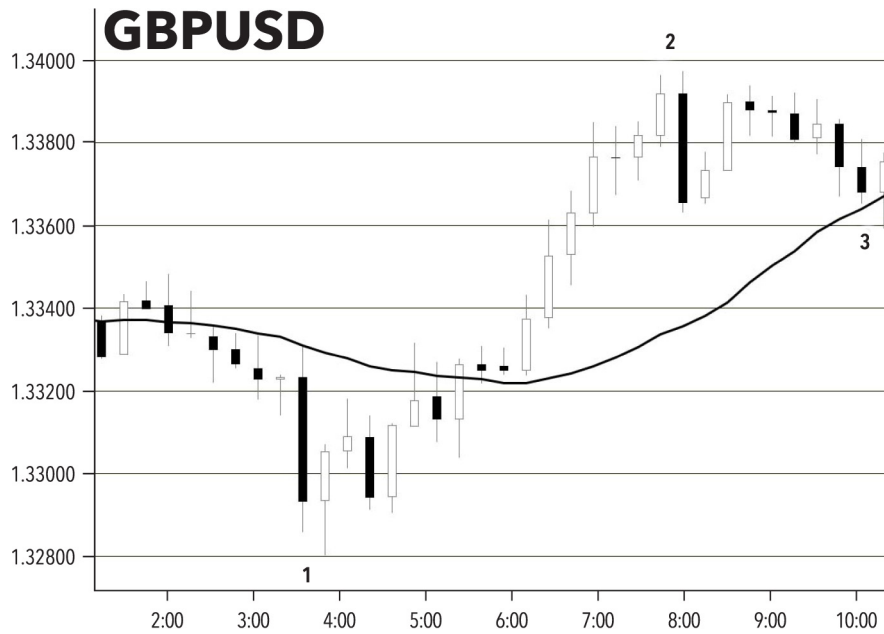


fig. 51



This particular sequence begins late during the European session, around 4:00 a.m. in New York (eastern time), and extends into the US morning session.

fig. 52

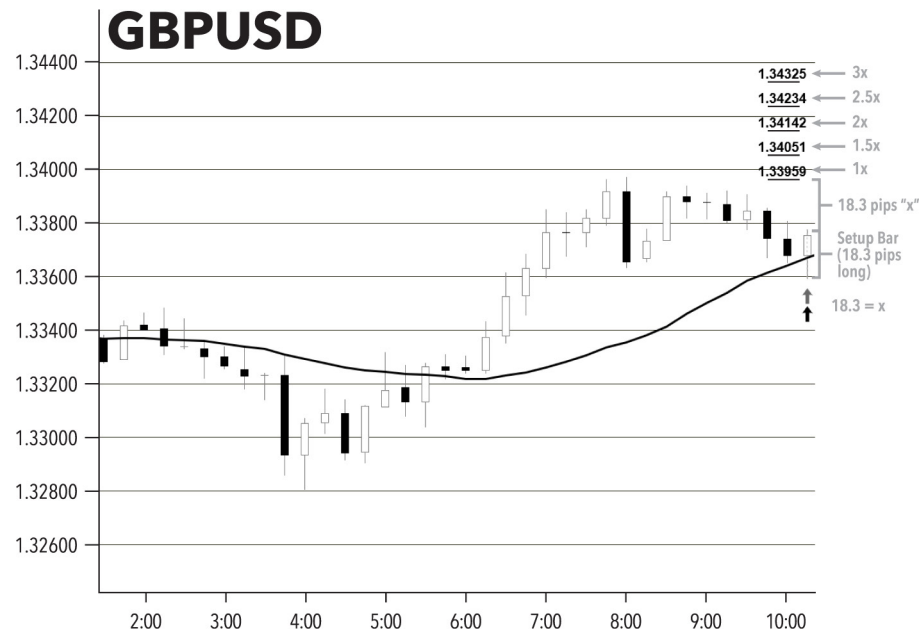


fig. 53

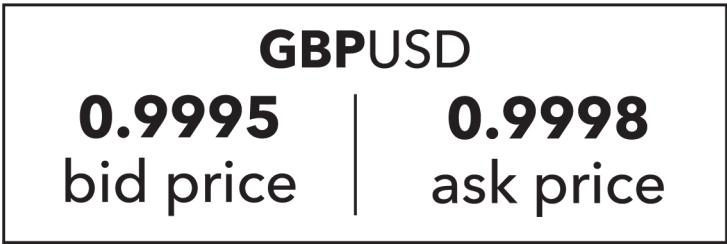


fig. 54

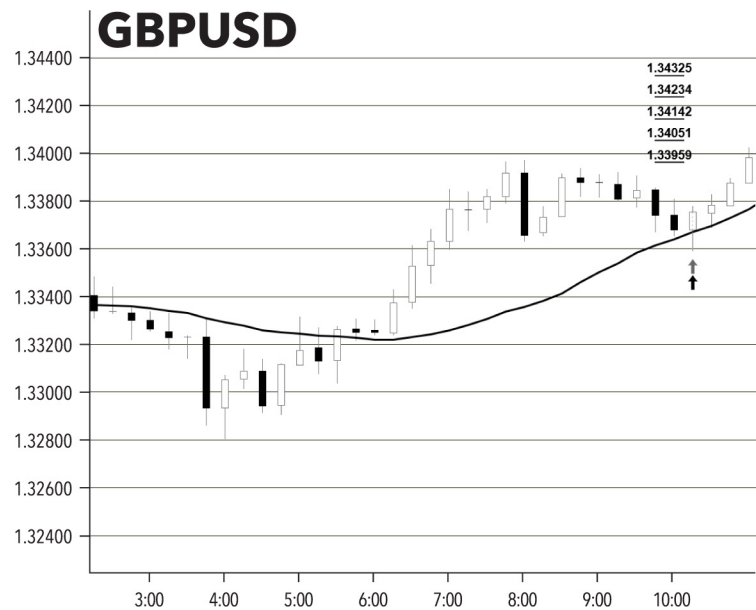


fig. 55

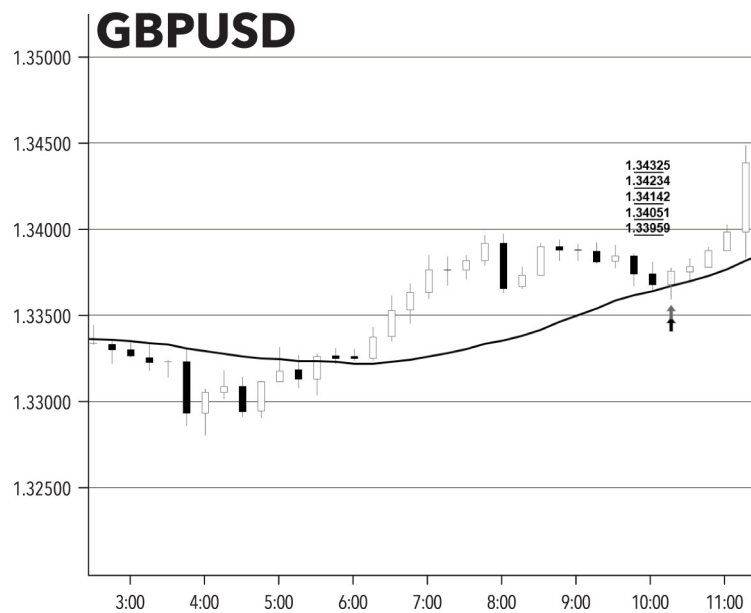


fig. 56

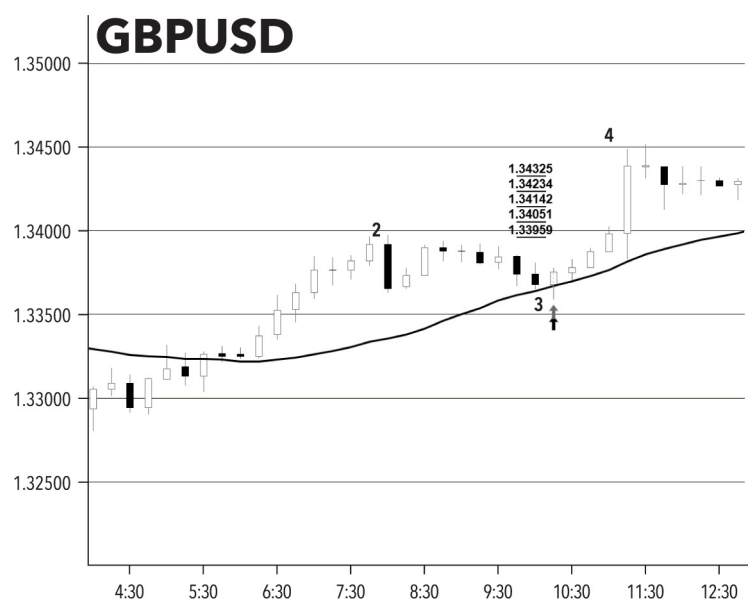


fig. 57

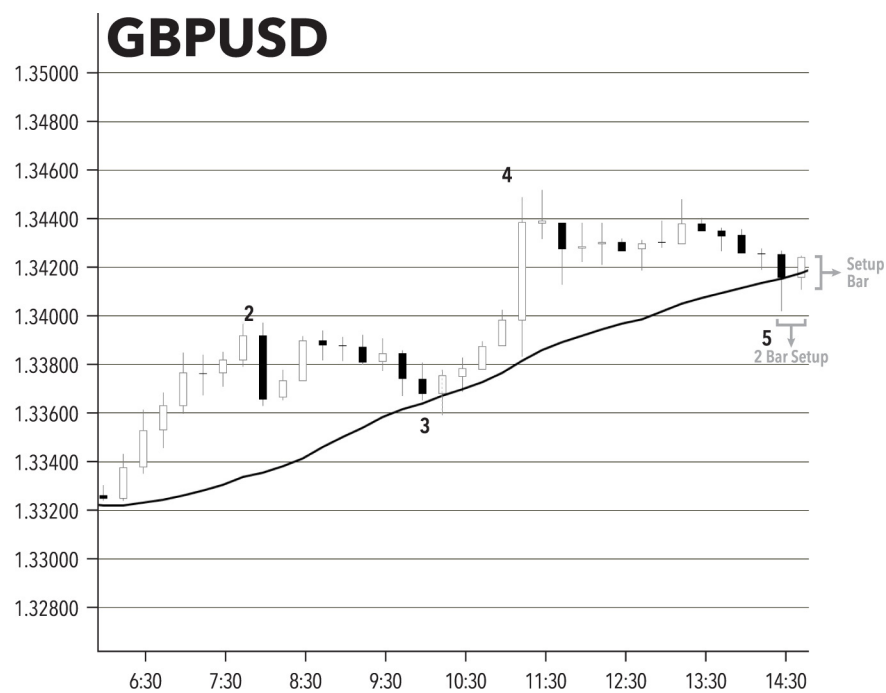


fig. 58

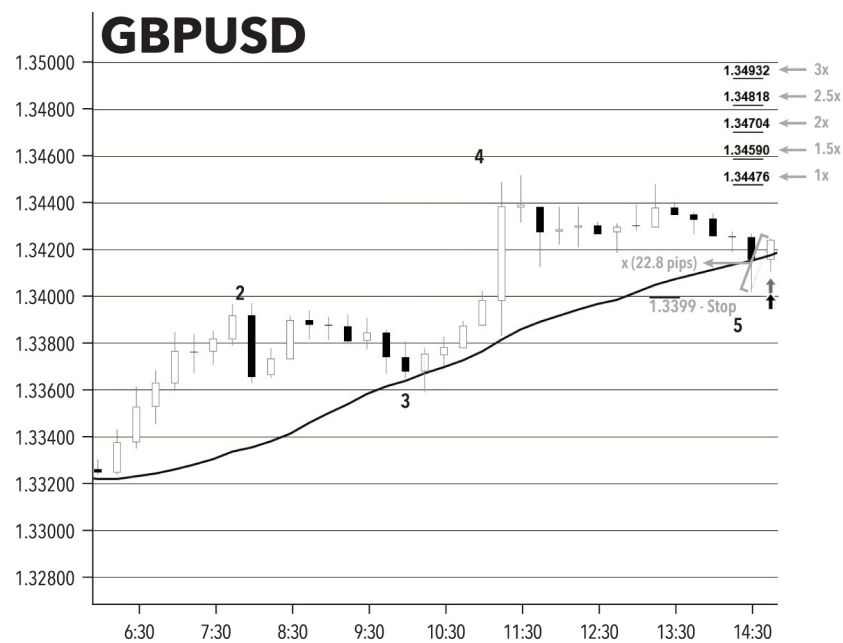


fig. 59

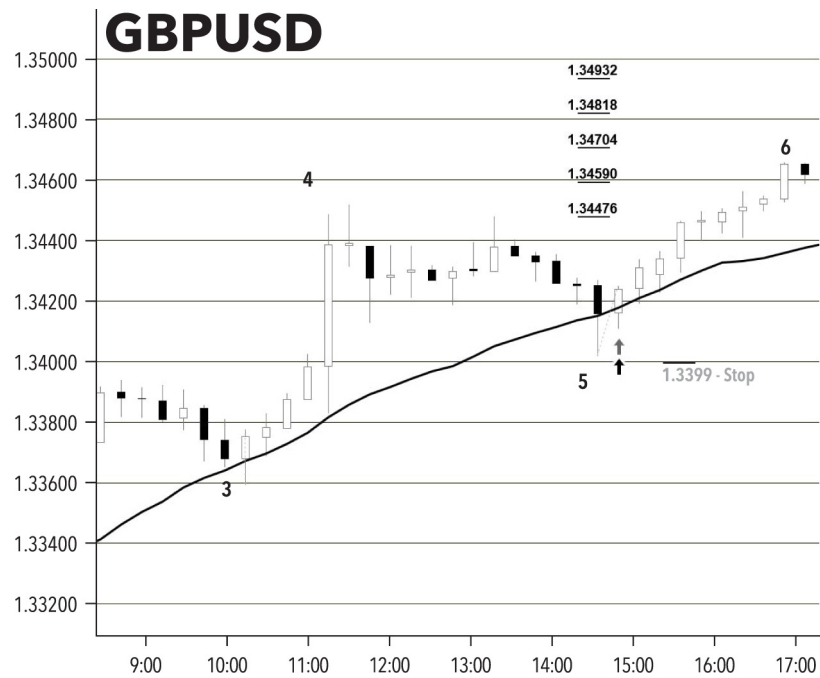


fig. 60

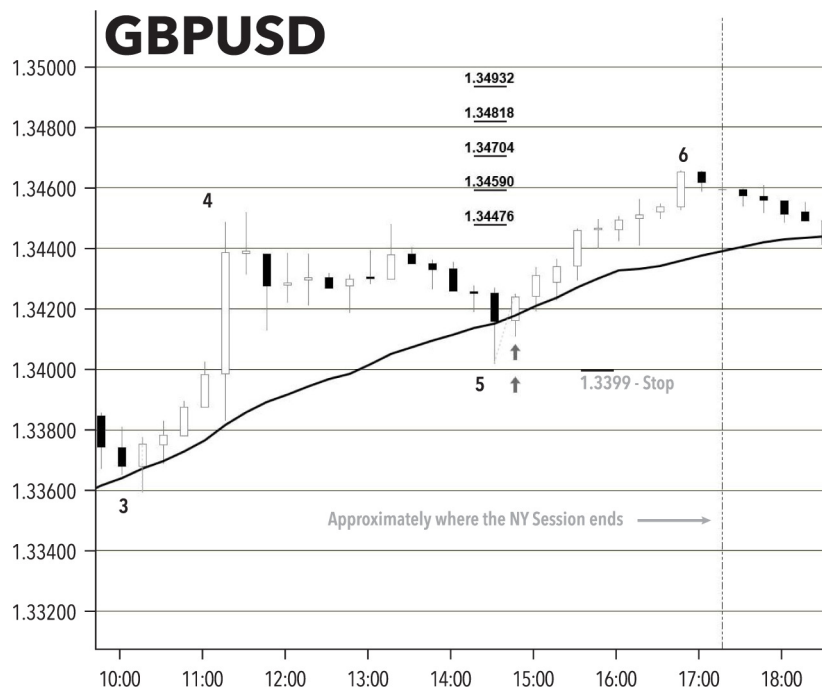


fig. 61

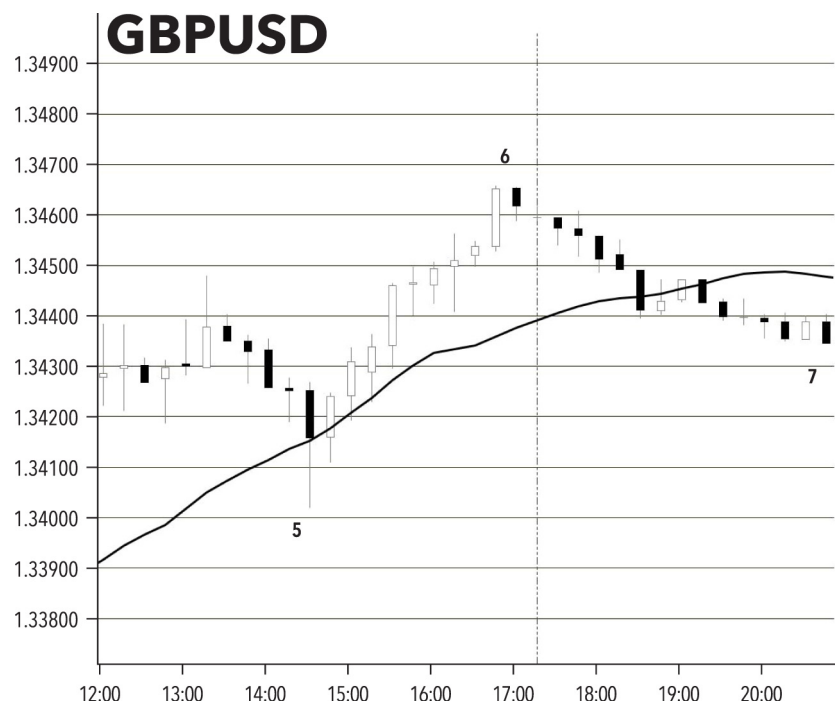


fig. 62

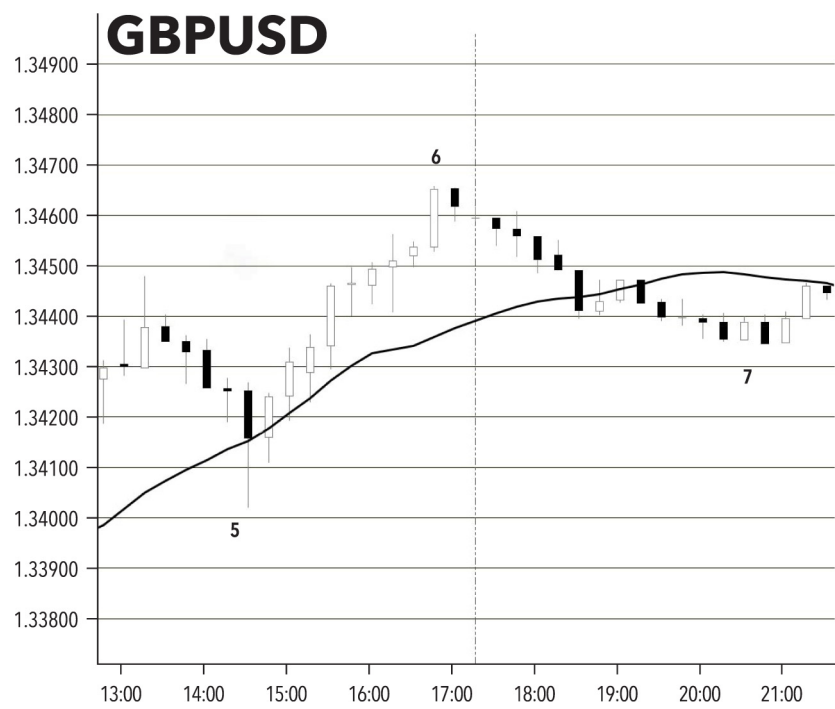


fig. 63

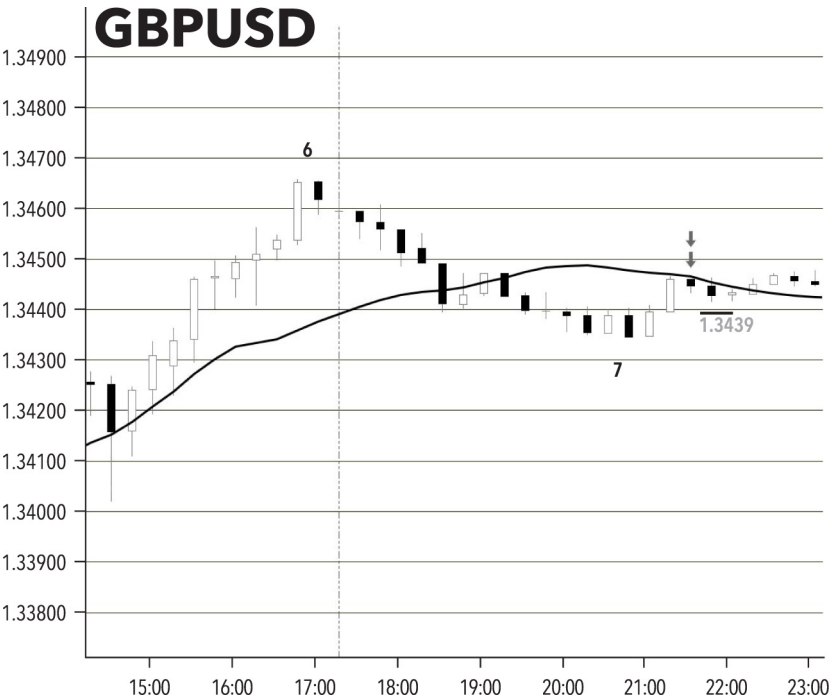
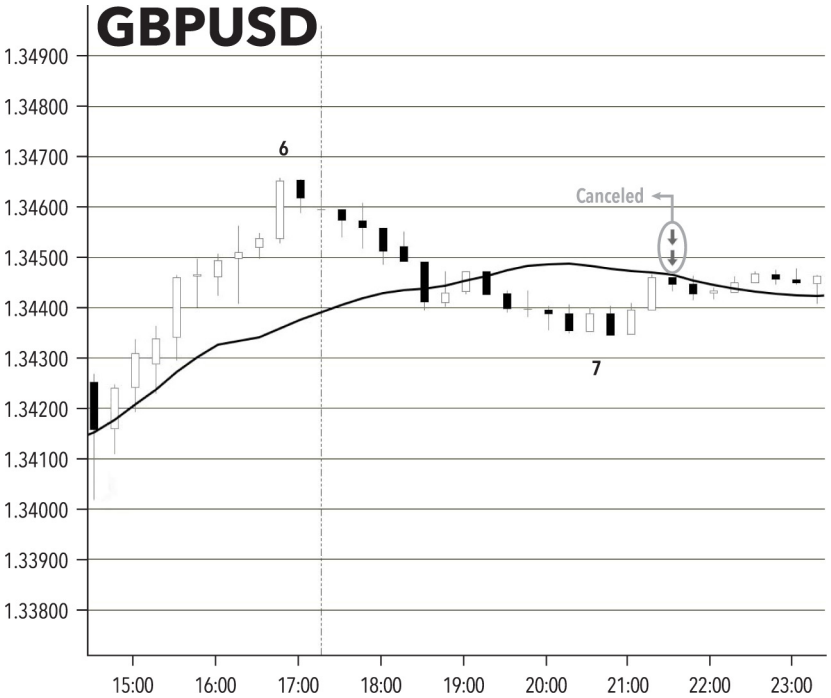


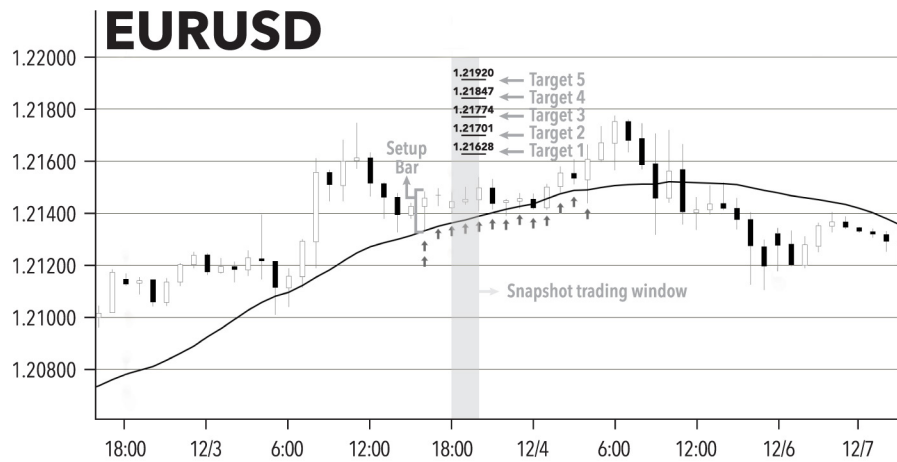
fig. 64



CHAPTER 12

Using Dynamic Systems

fig. 65



Note how, relative to our previous scenarios, we're using a much slower "higher time frame" chart for the snapshot trading technique.

fig. 66

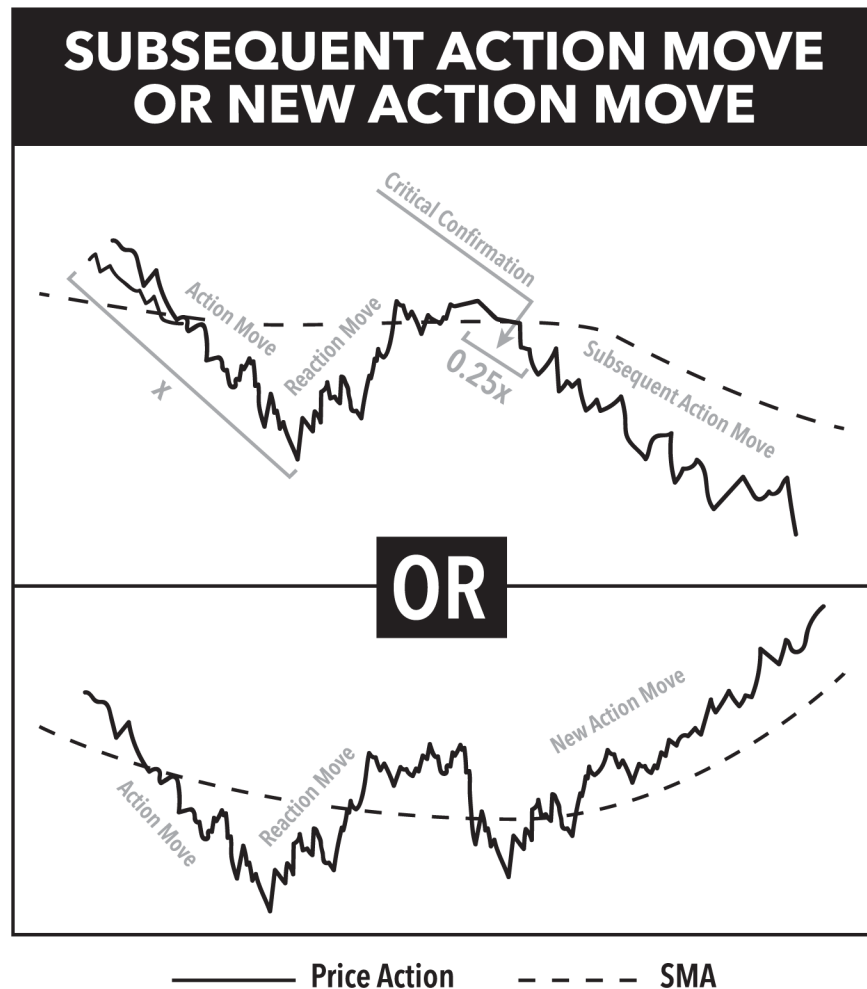


fig. 67

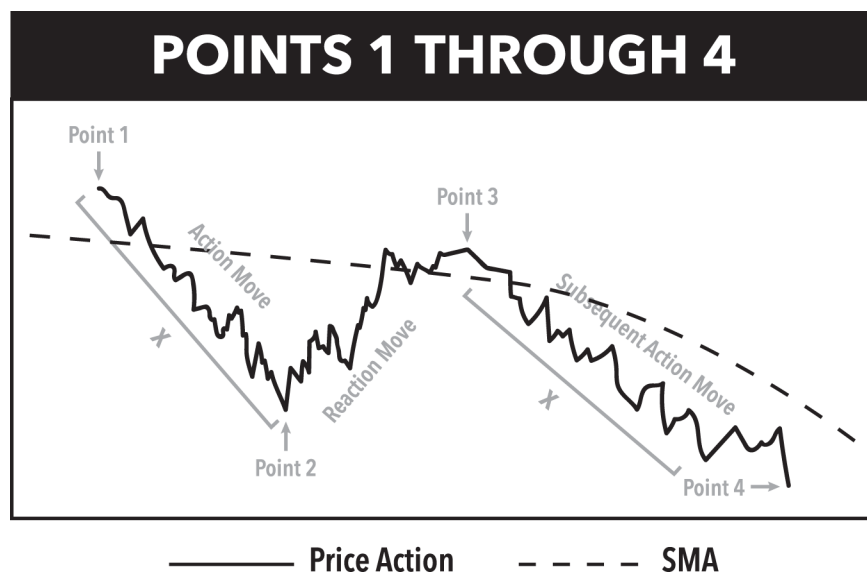


fig. 68

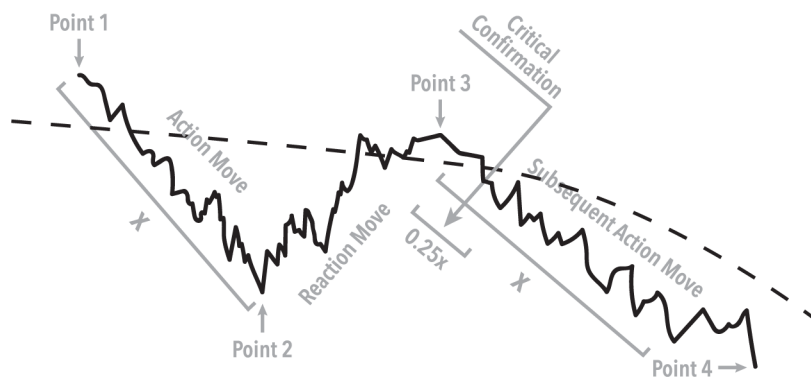


fig. 69

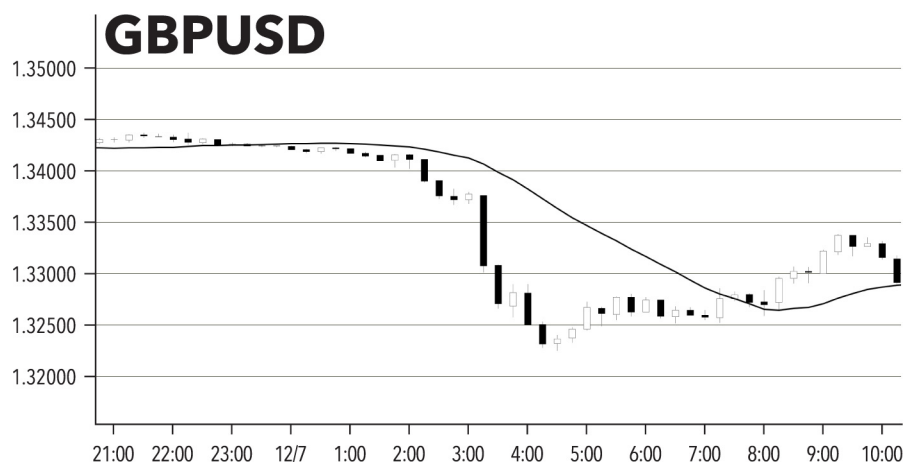
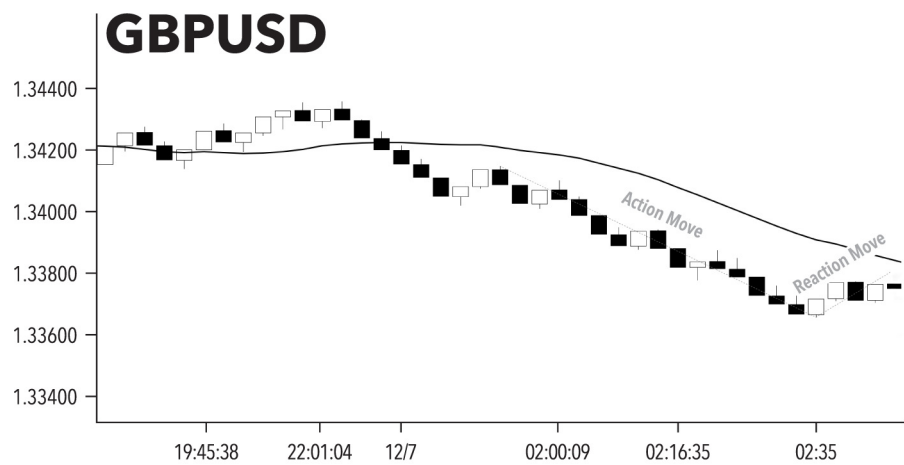


fig. 70



The parameters of your trade setup can be much more (or less) visible depending on the type of chart you look at.

fig. 71

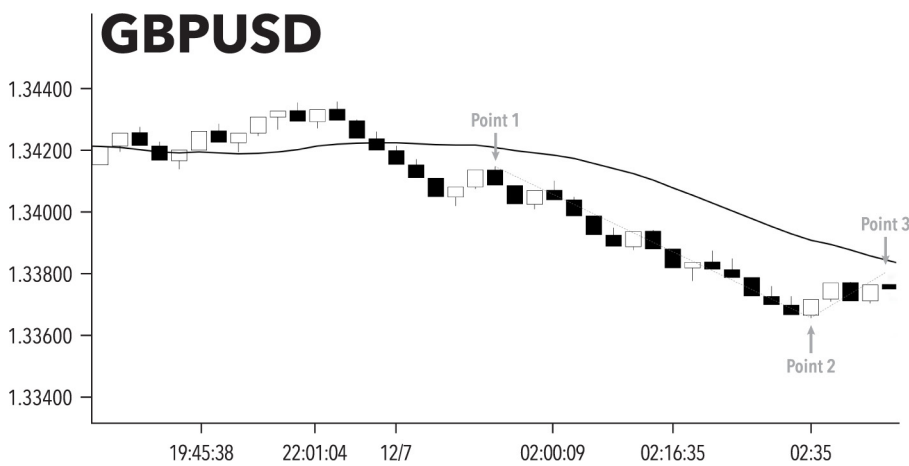


fig. 72

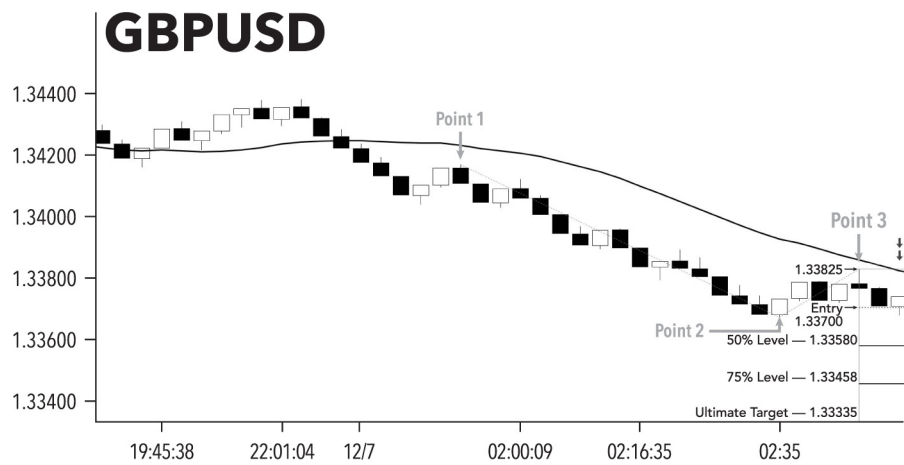


fig. 73

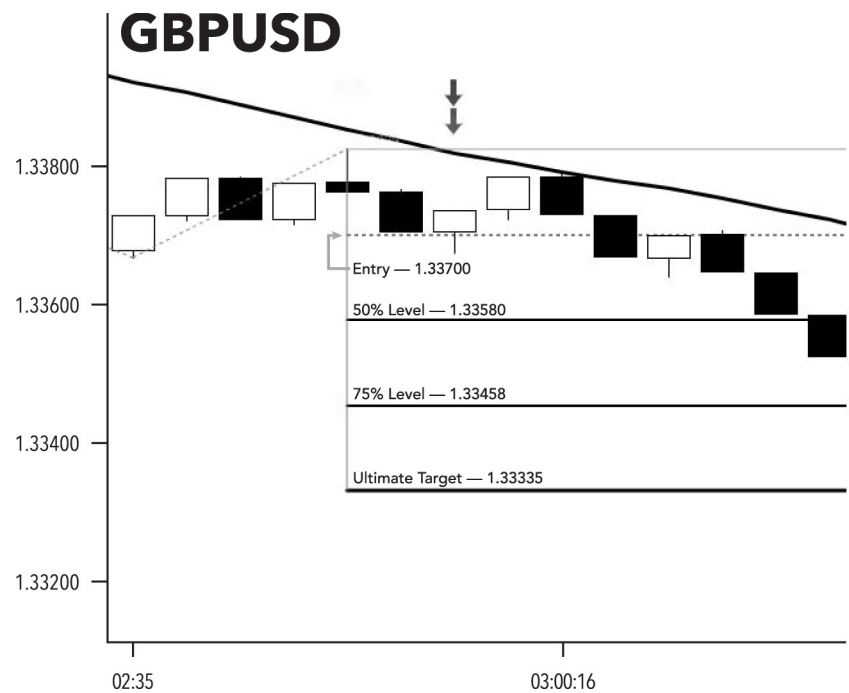


fig. 74

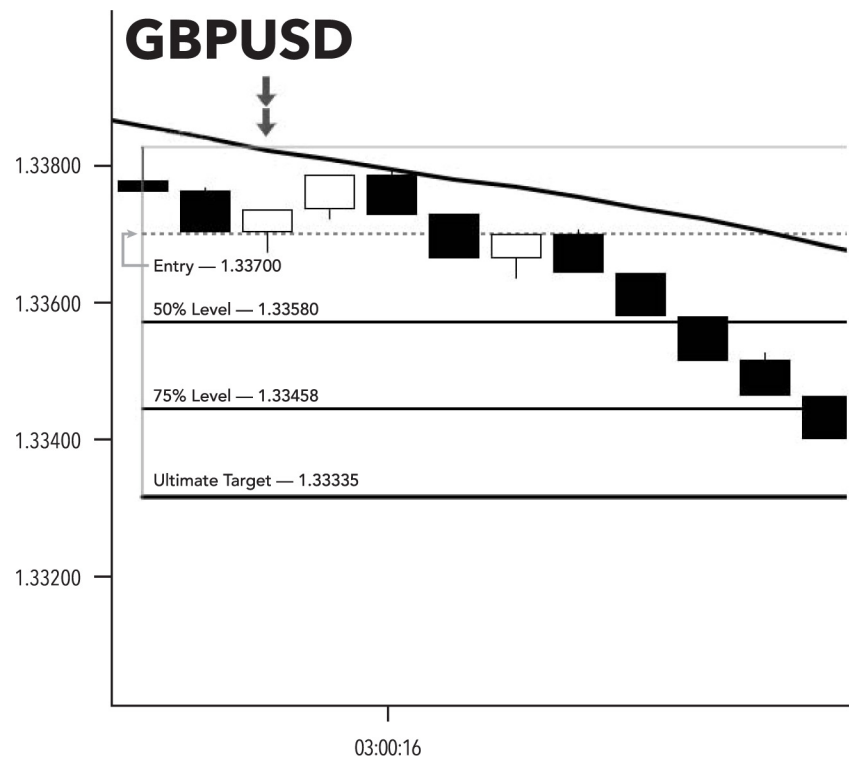


fig. 75

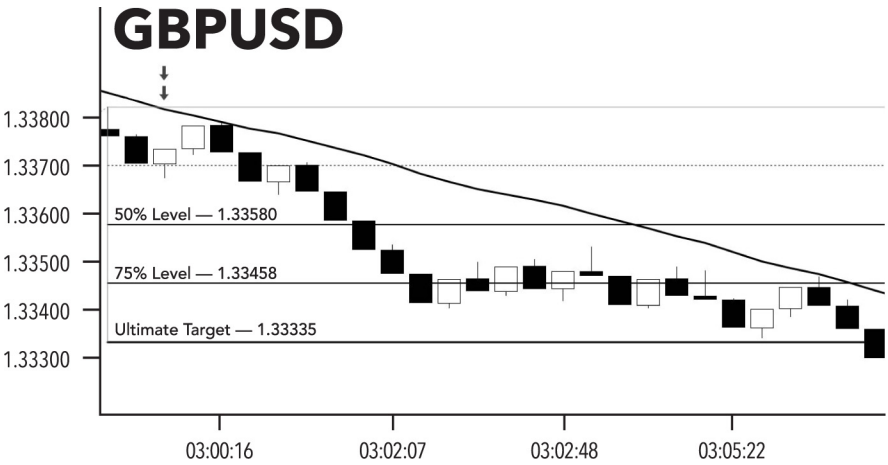


fig. 76

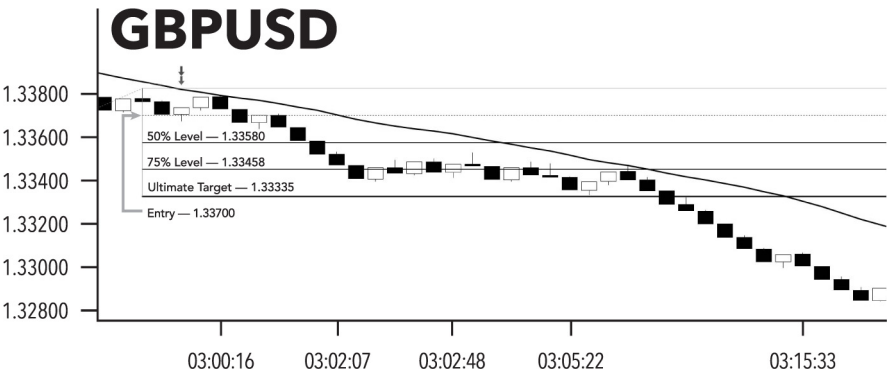


fig. 77

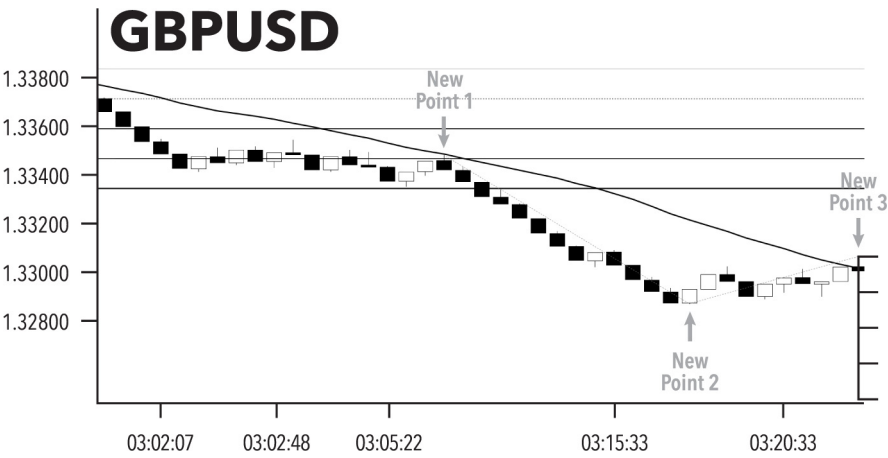


fig. 78

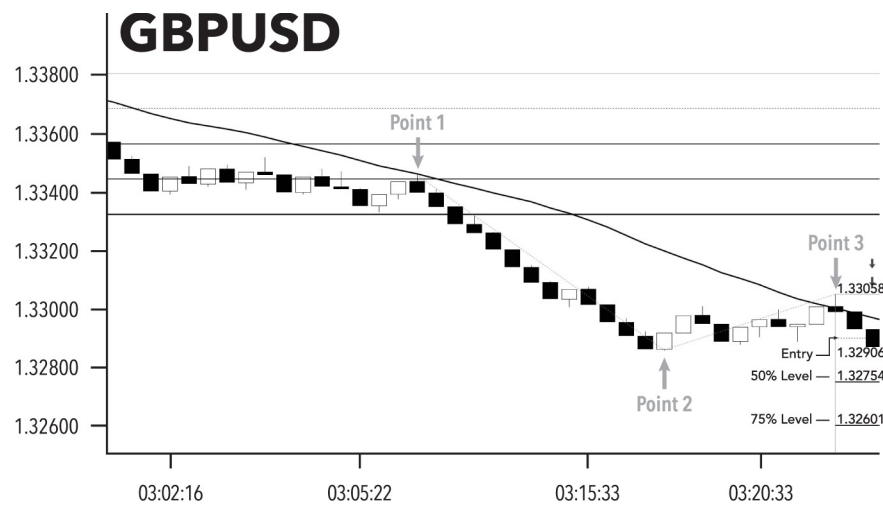


fig. 79

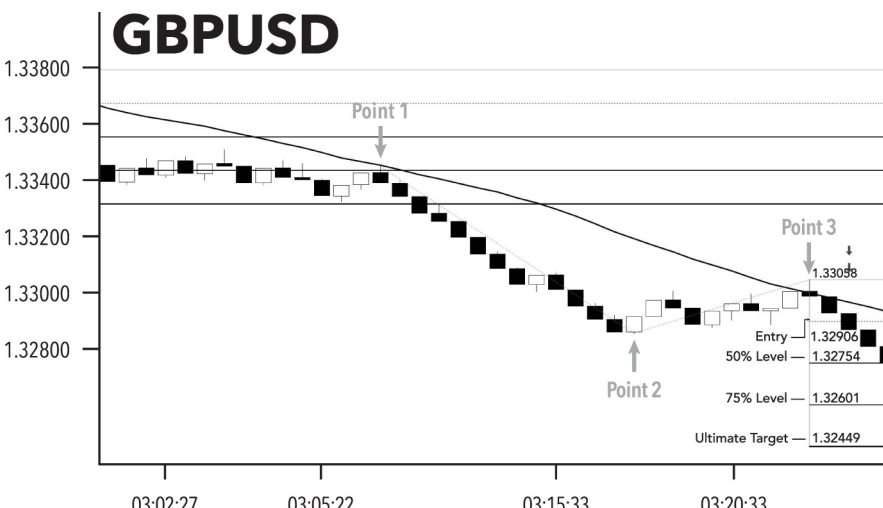


fig. 80

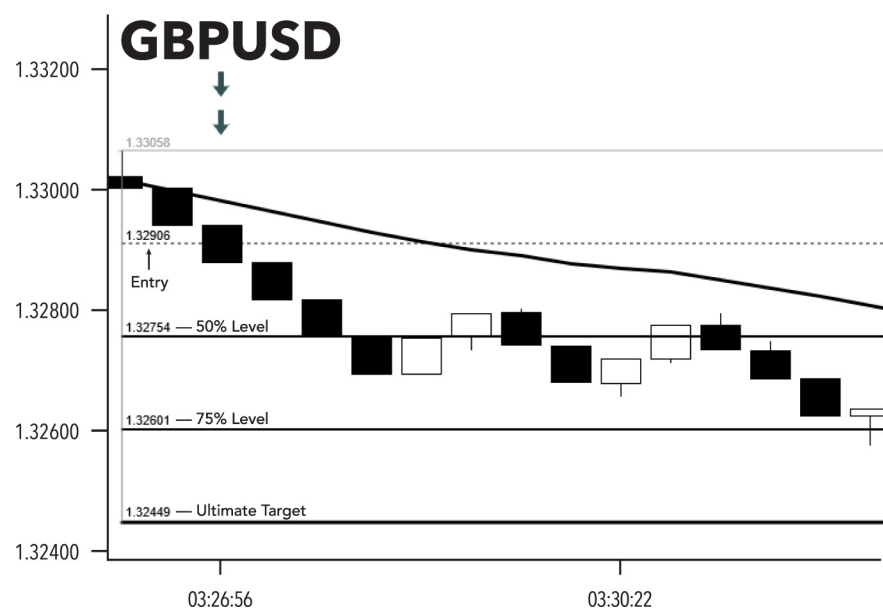


fig. 81

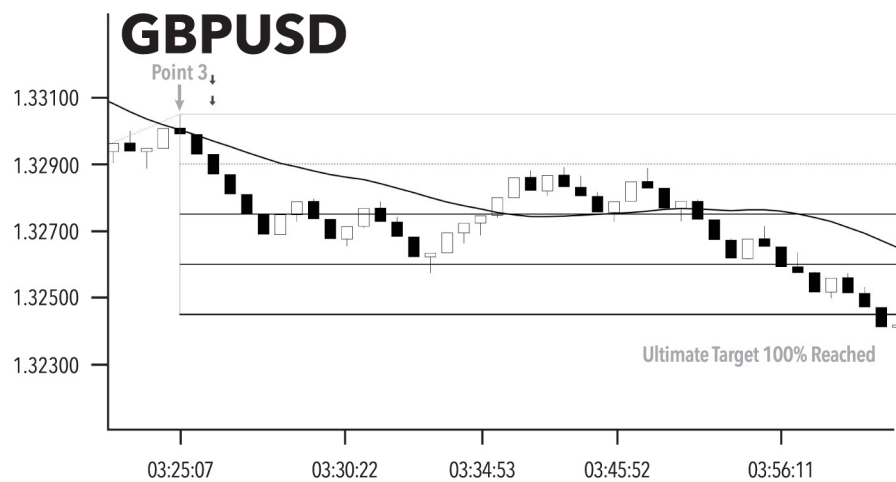
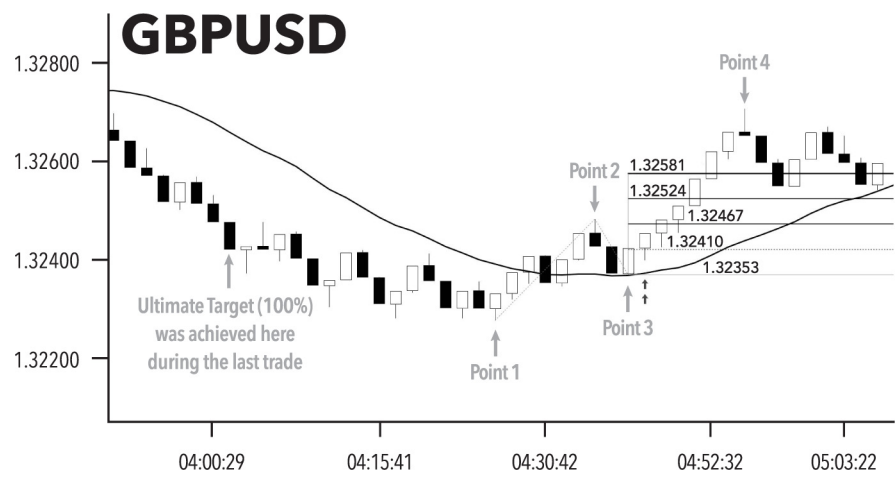


fig. 82



CHAPTER 13

Putting Risk Management to Work for You

fig. 83

LEVERAGE RATIO	NO LEVERAGE	5:1	50:1
Initial Trading Capital	\$1,000.00	\$1,000.00	\$1,000.00
Borrowed Capital	–	\$4,000.00	\$49,000.00
Micro Lots Controlled	1	5	50
Value of a Pip	\$0.10	\$0.50	\$5.00
Value of 5-Pip Move	\$0.50	\$2.50	\$25.00
Value of 50-Pip Move	\$5.00	\$25.00	\$250.00
Value of 500-Pip Move	\$50.00	\$250.00	\$2,500.00

fig. 84

If your trade plan wins X% of the time...	...then there is a 100% probability you will experience losing X trades in a row.	Your losing streaks, <i>on average</i> , will last for X trades in a row.	<i>There is a 10% chance</i> that your losing streak will last for X trades in a row.	<i>There is a 1% chance</i> that your losing streak will last for X trades in a row.	Your max losing streak is...
80%	2	3	4	5 to 6	7
75%	3	3	5	6 to 7	9
70%	3	3	5 to 6	7 to 8	10
65%	3	4	6 to 7	8 to 9	13
60%	4	5	7	9 to 10	14
55%	4	5	8	10 to 11	16
50%	5	6	9	12	19
45%	6	7	10	13 to 14	22
40%	7	8	11 to 12	15 to 16	25
35%	8	9	13 to 14	18 to 19	34
30%	9	11	15 to 16	22	38
25%	10	13	18 to 19	25 to 26	41
20%	12	15	22 to 23	32	51

Source: Van Tharp

fig. 85

RECOVERY AFTER A DRAWDOWN	
DRAWDOWNS	GAIN TO RECOVERY
5%	5.3% Gain
10%	11.1% Gain
15%	17.6% Gain
20%	25% Gain
25%	33% Gain
30%	42% Gain
40%	66.7% Gain
50%	100% Gain
60%	150% Gain
75%	300% Gain
90%	900% Gain

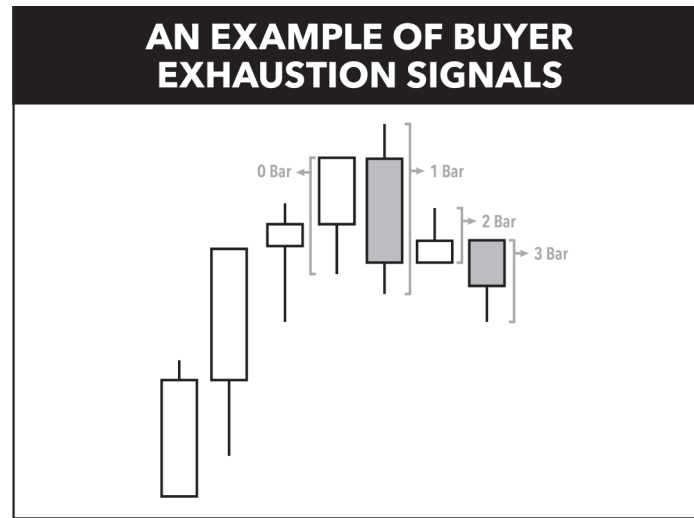
fig. 86

$$\text{Amount Traded} = \frac{\text{Account Value} \times \text{Risk Percentage}}{\text{Value per Pip}} \times \text{Units in a lot where pip value is one unit of counter currency}$$

CHAPTER 14

Managing Trades

fig. 87



Note that bar 2 is an up bar, but it still closes lower than the close of bar 0.

fig. 88

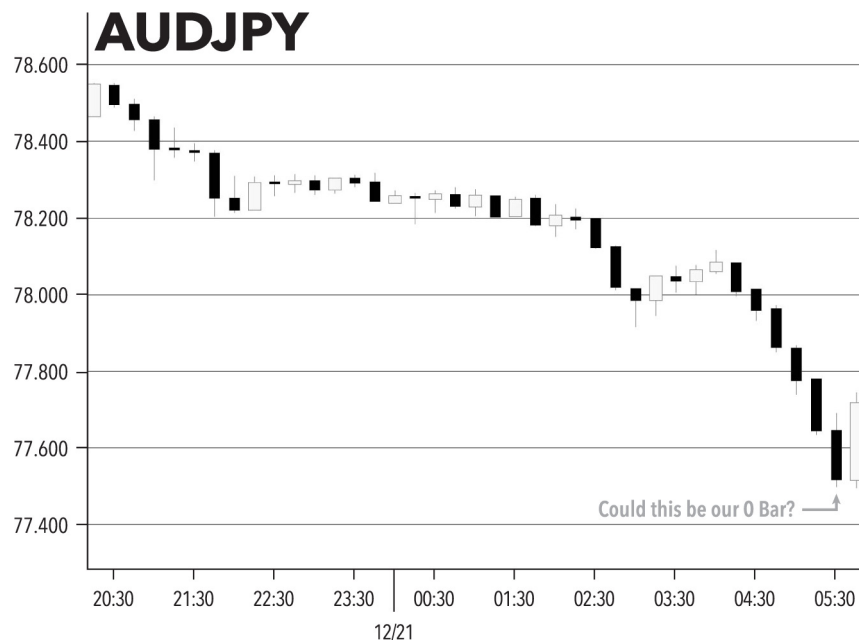


fig. 89

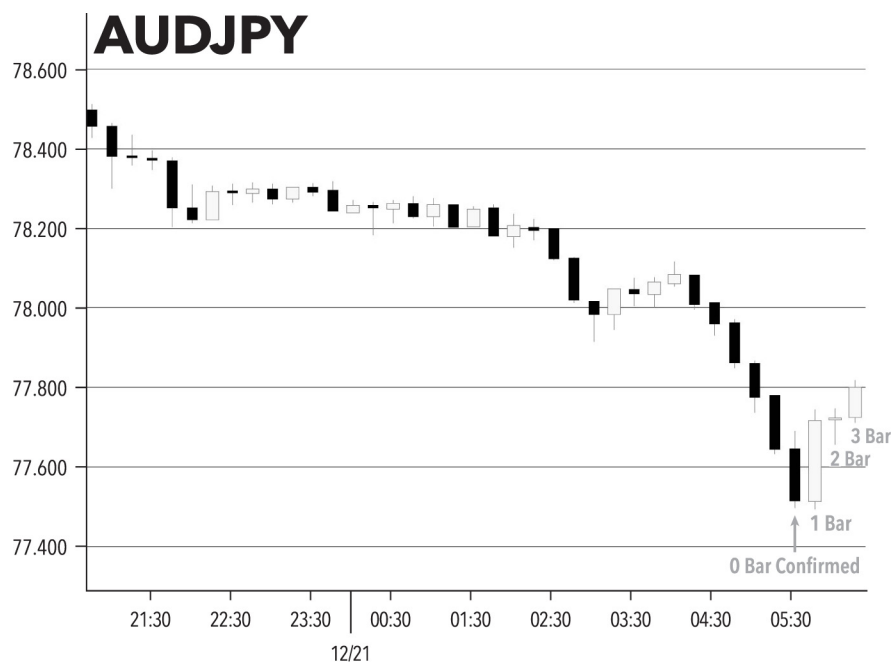


fig. 90

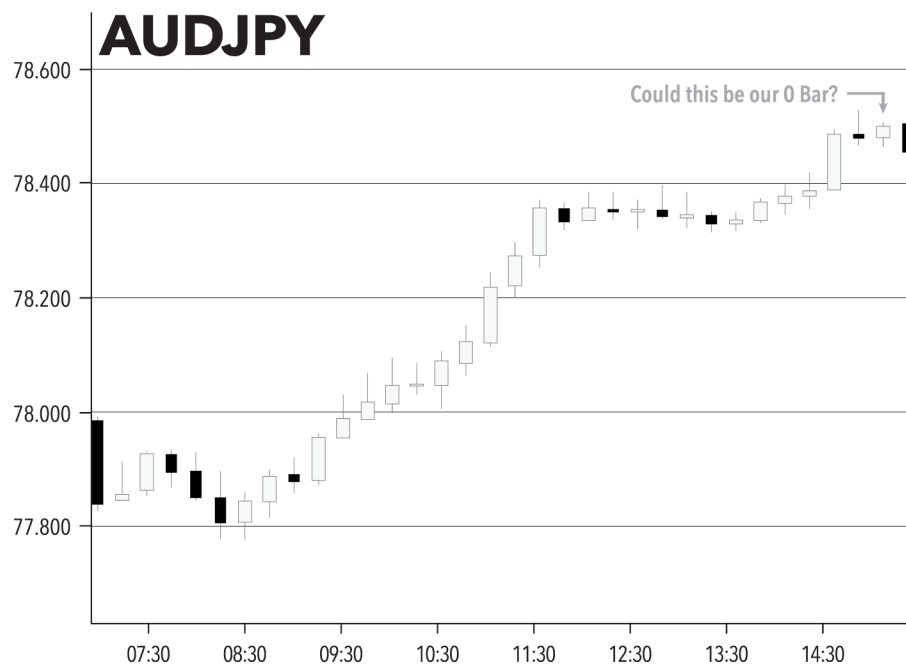


fig. 91

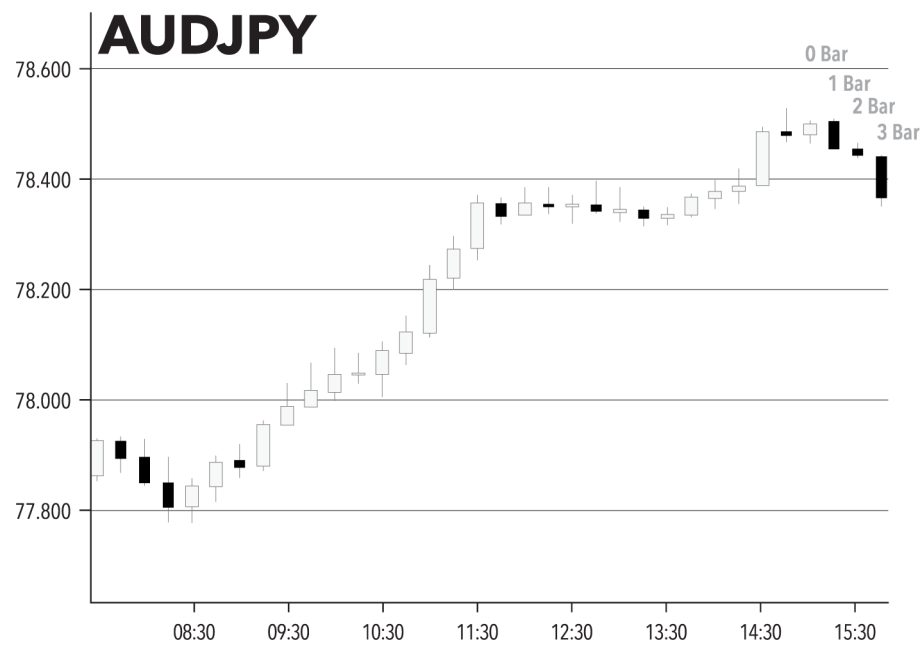


fig. 92

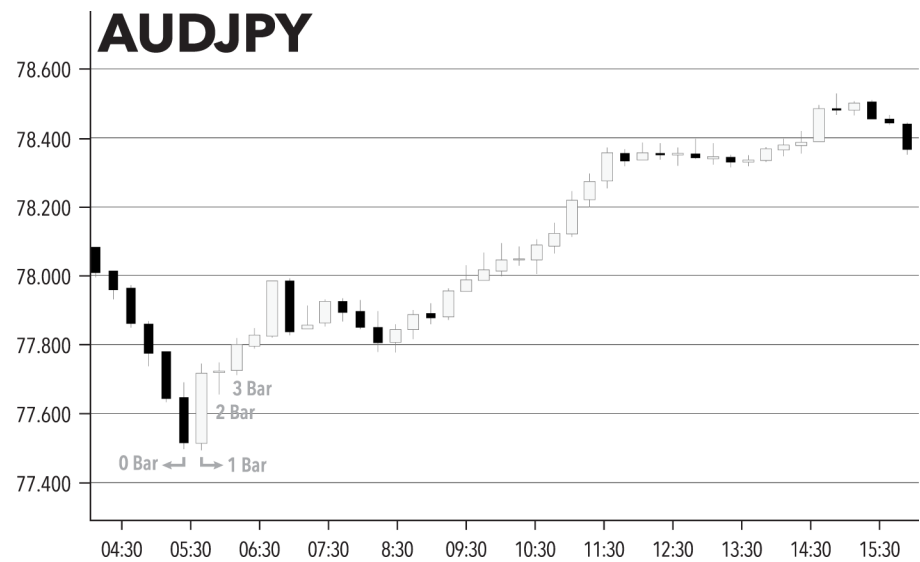


fig. 93

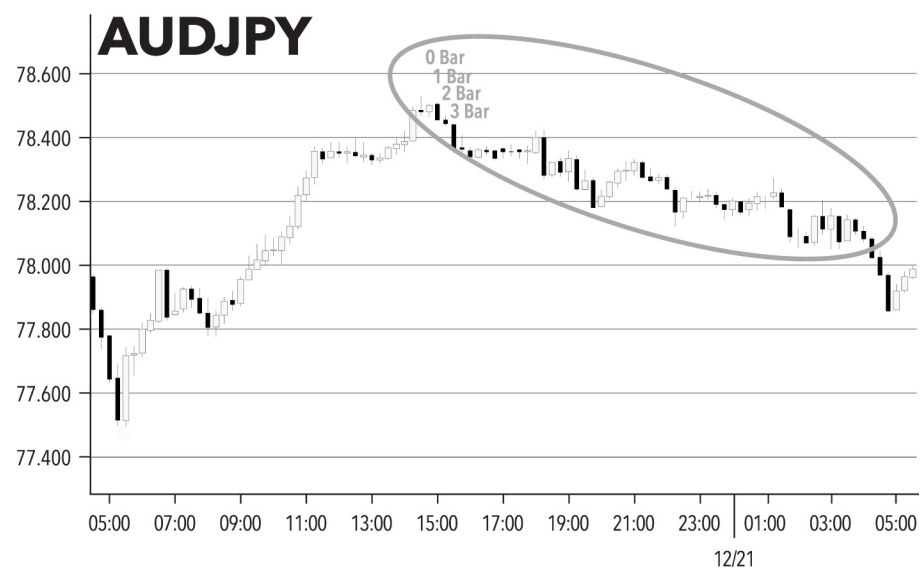


fig. 94

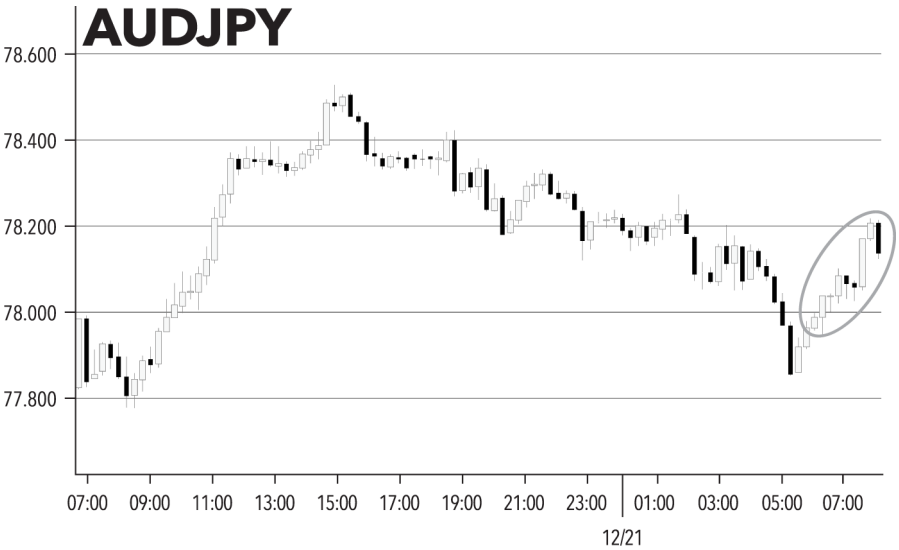


fig. 95

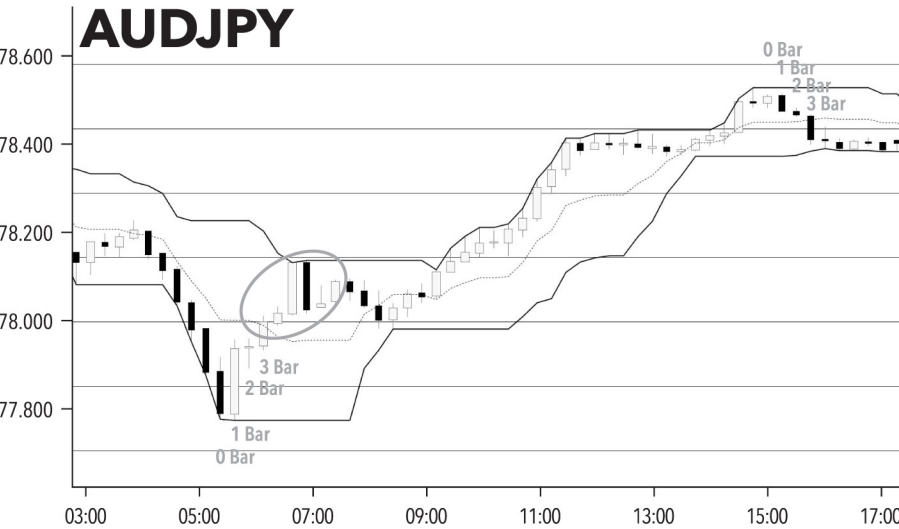


fig. 96

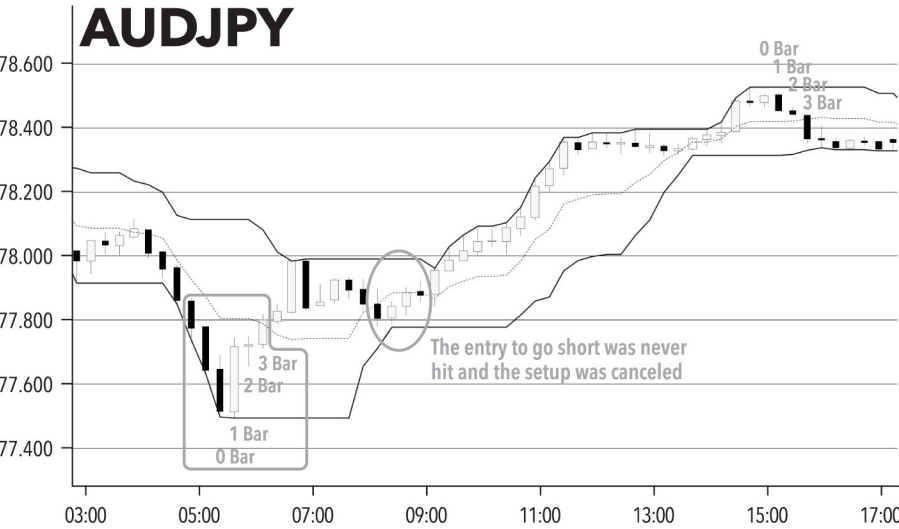


fig. 97

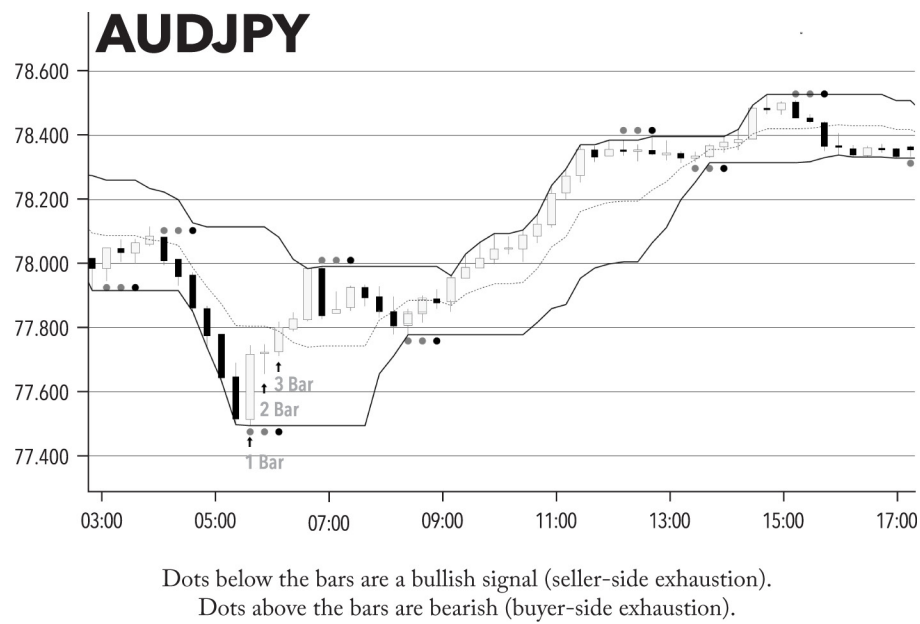


fig. 98

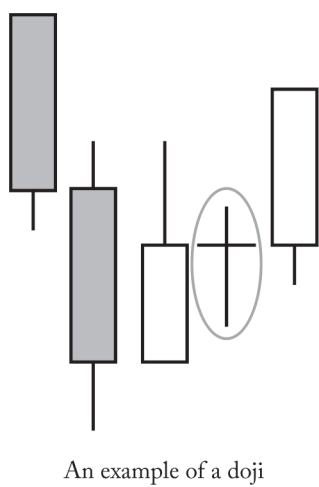


fig. 99

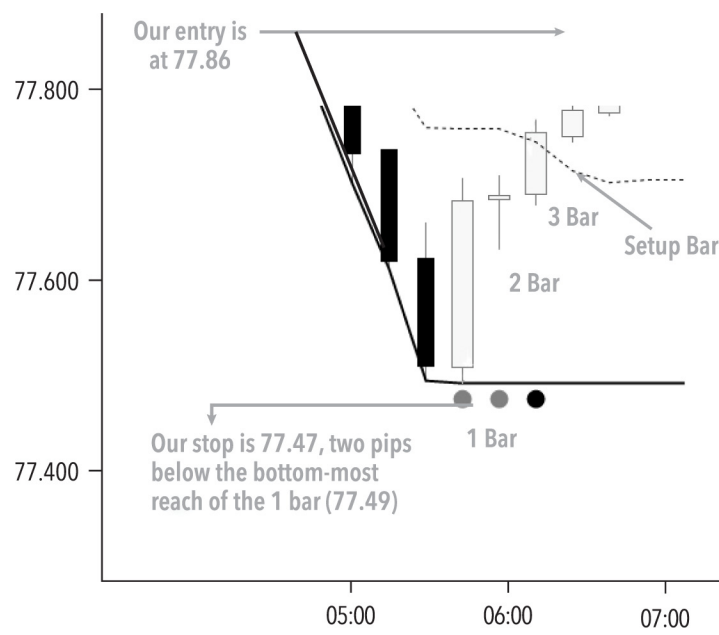
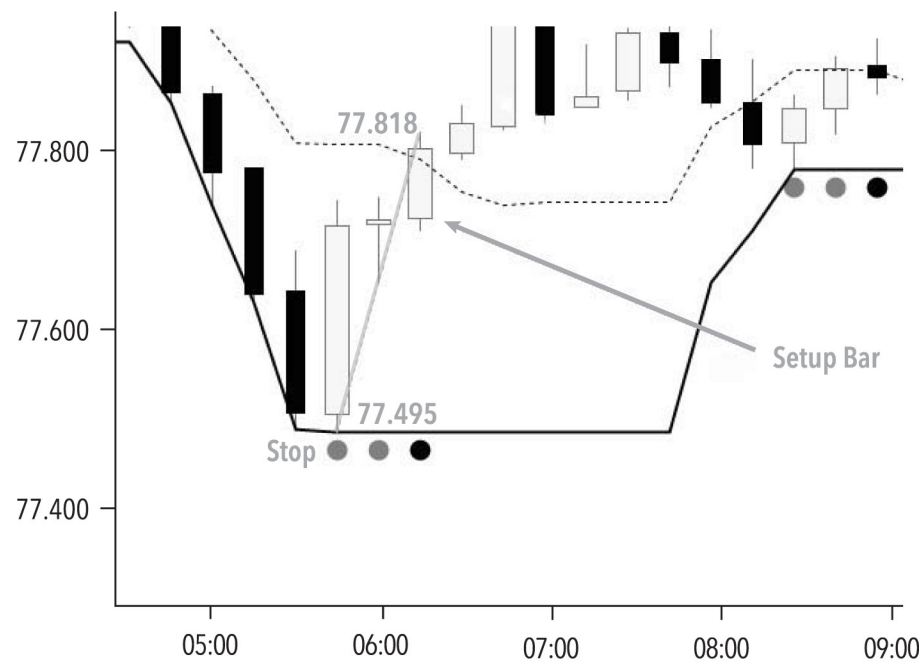


fig. 100



We have all we need to calculate our α factor.

fig. 101

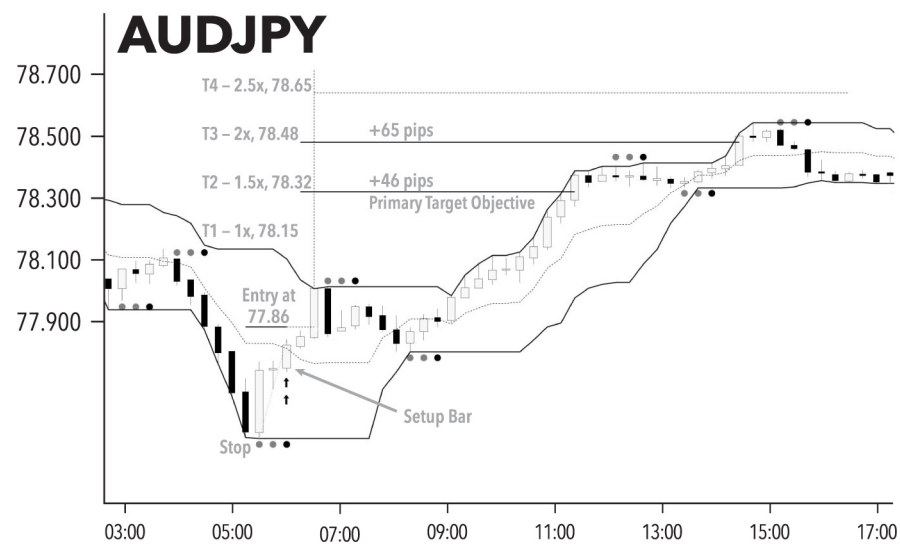


fig. 102

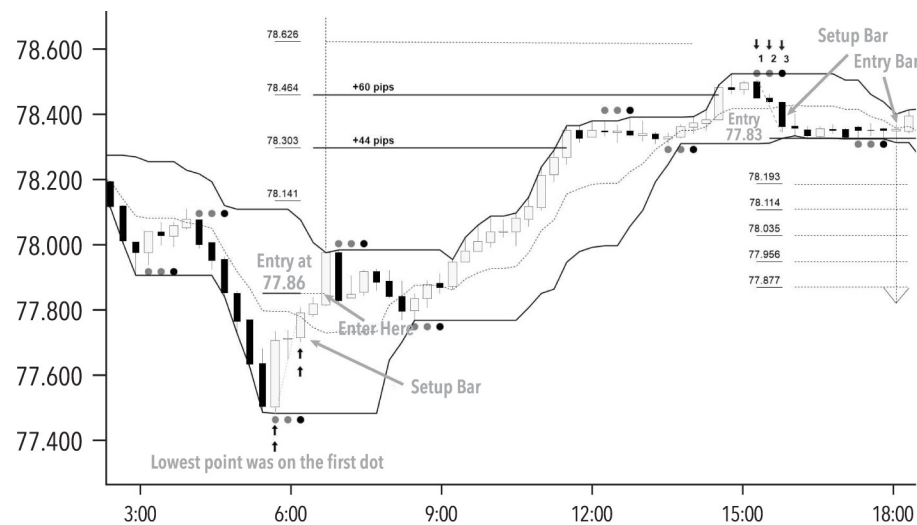


fig. 103

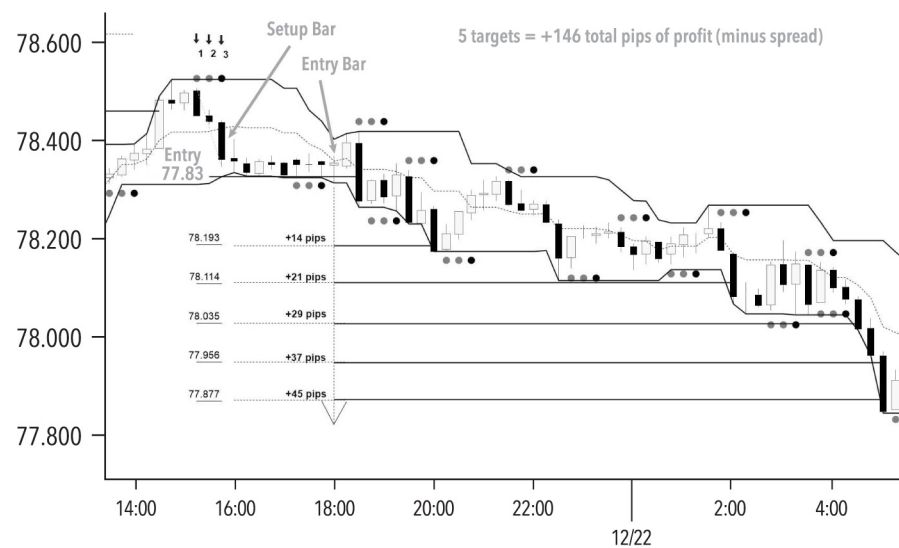


fig. 104

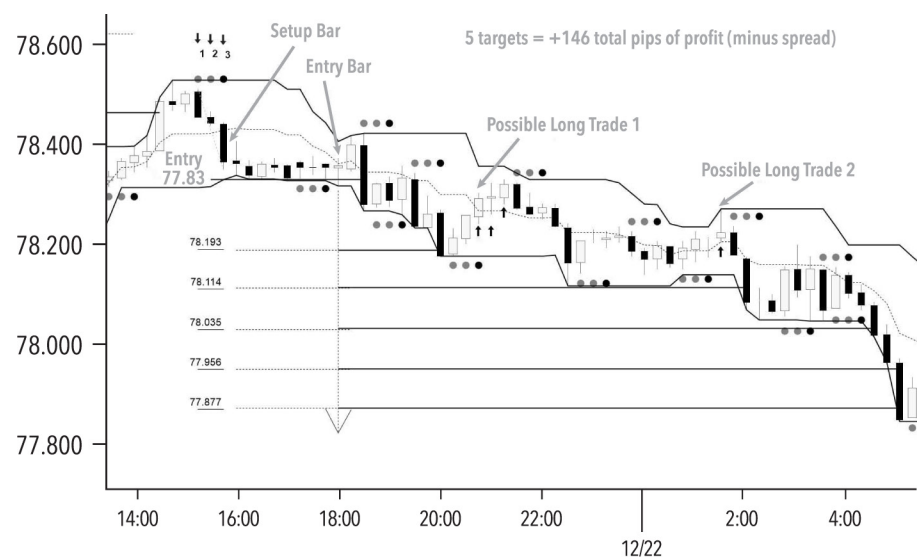


fig. 105

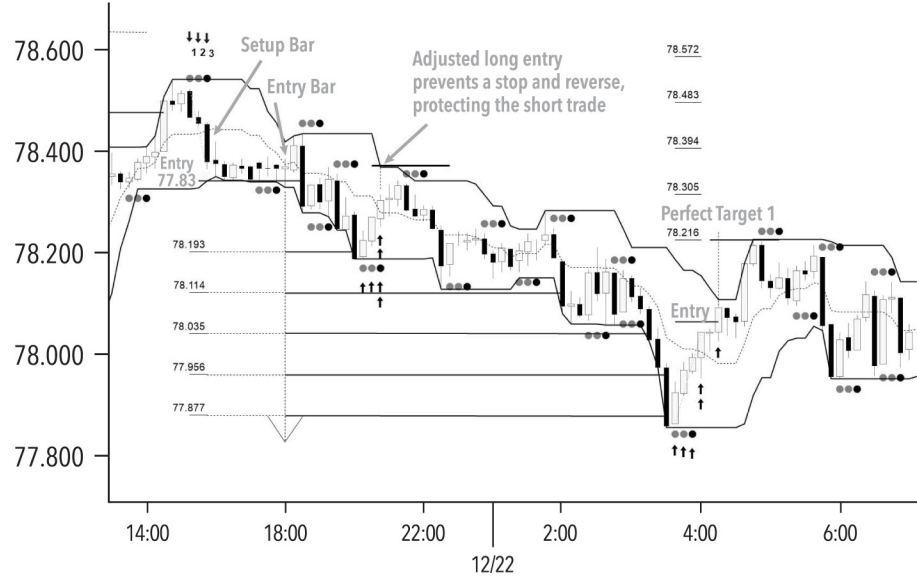


fig. 106

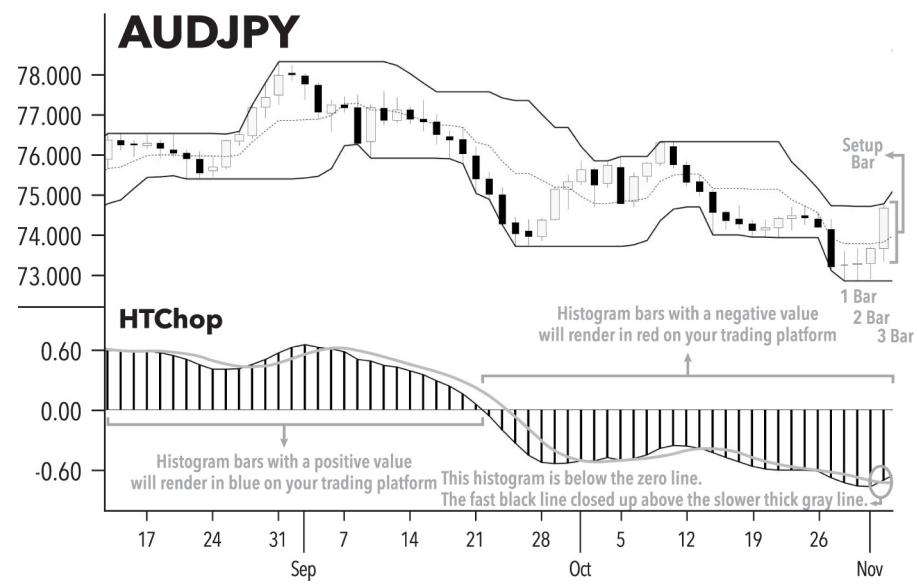


fig. 107

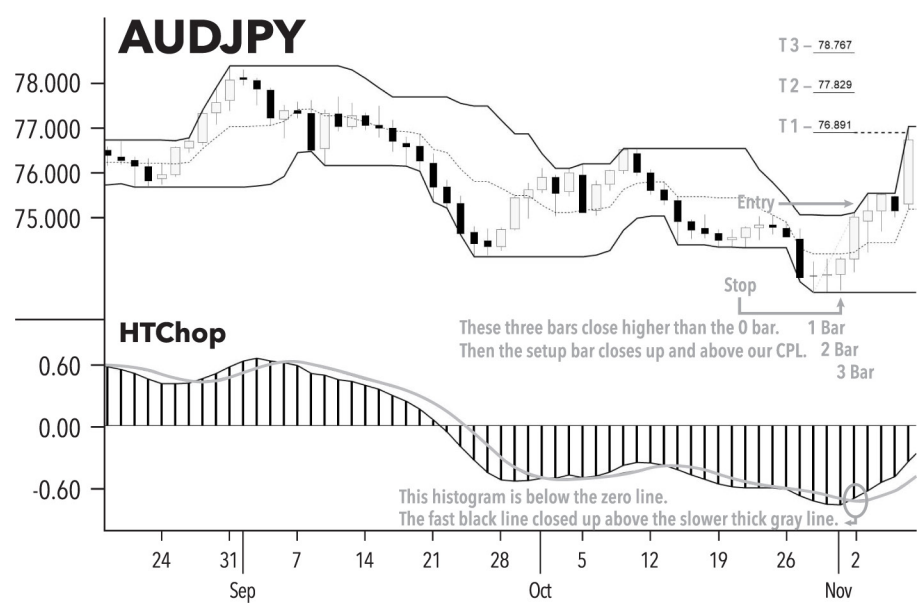


fig. 108

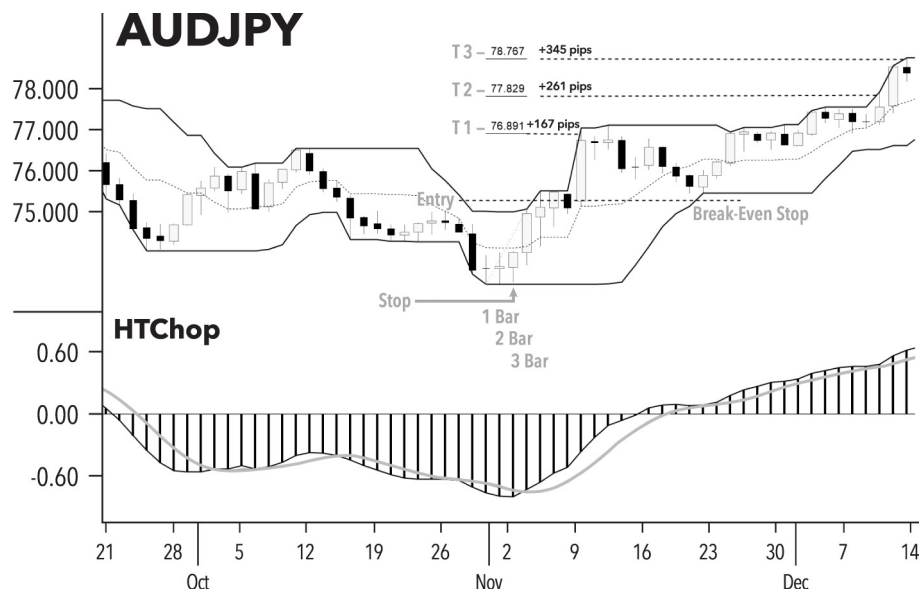


fig. 109

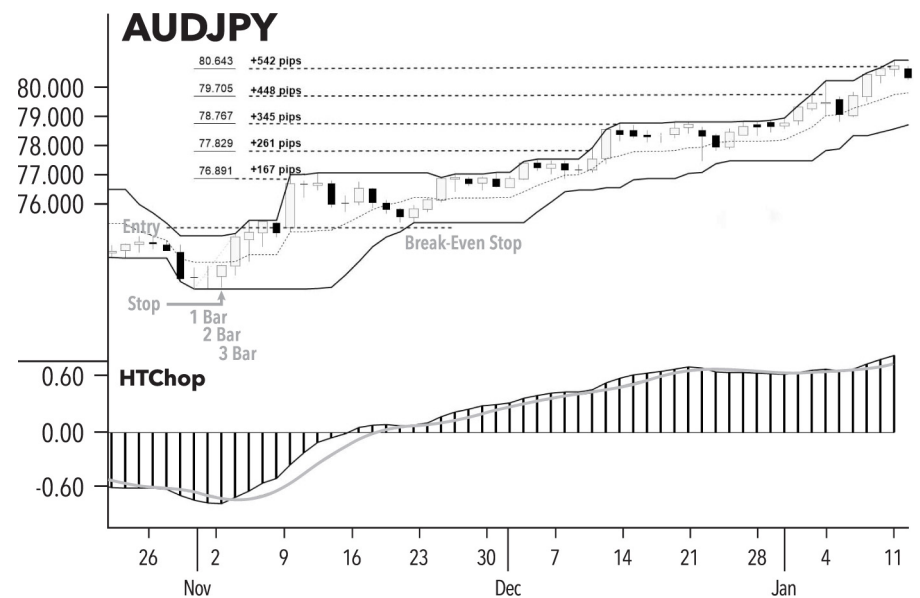


fig. 110

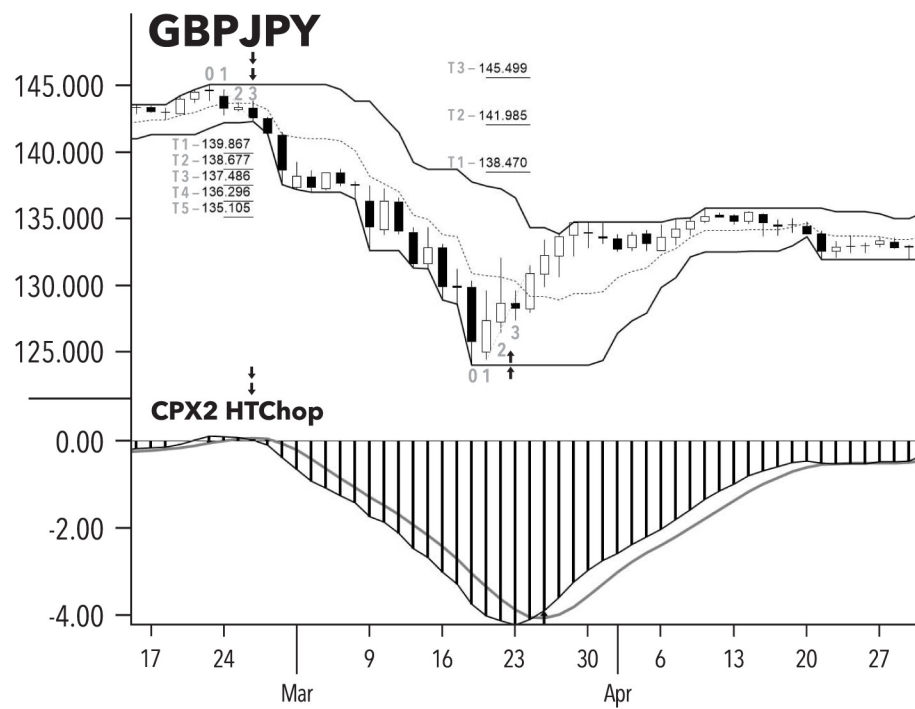


fig. 111

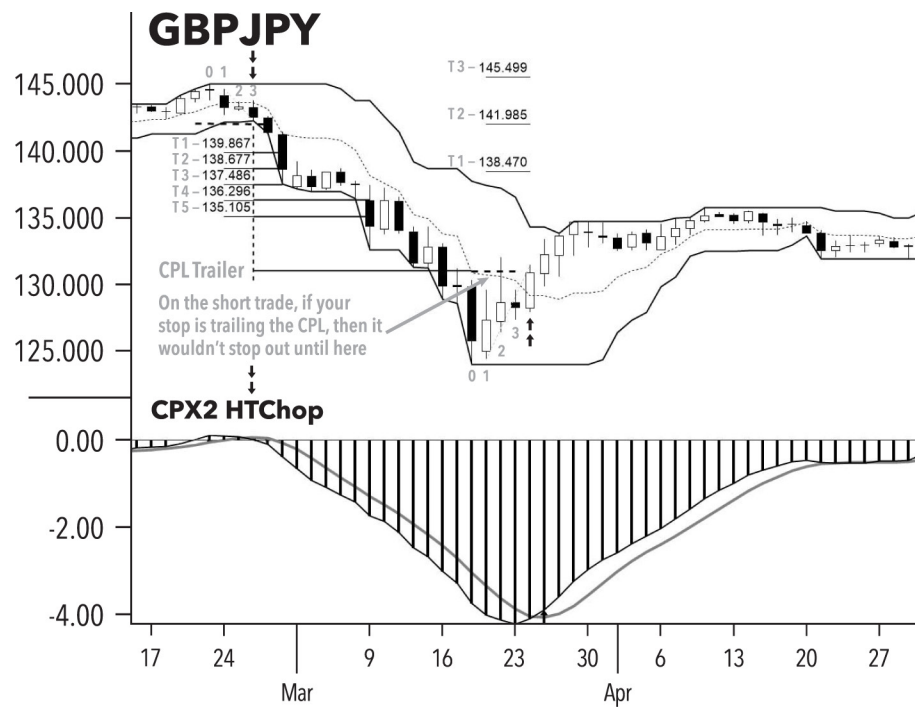


fig. 112

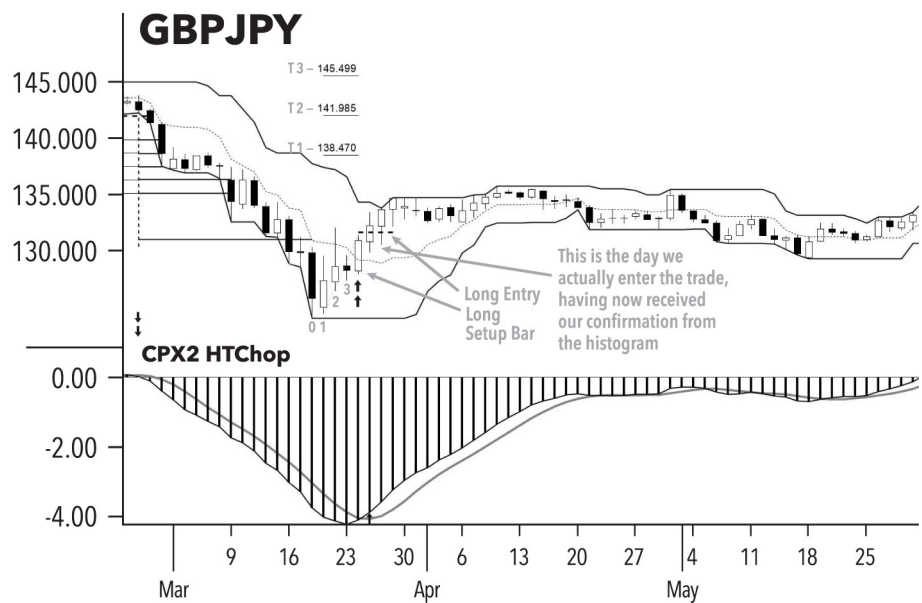


fig. 113

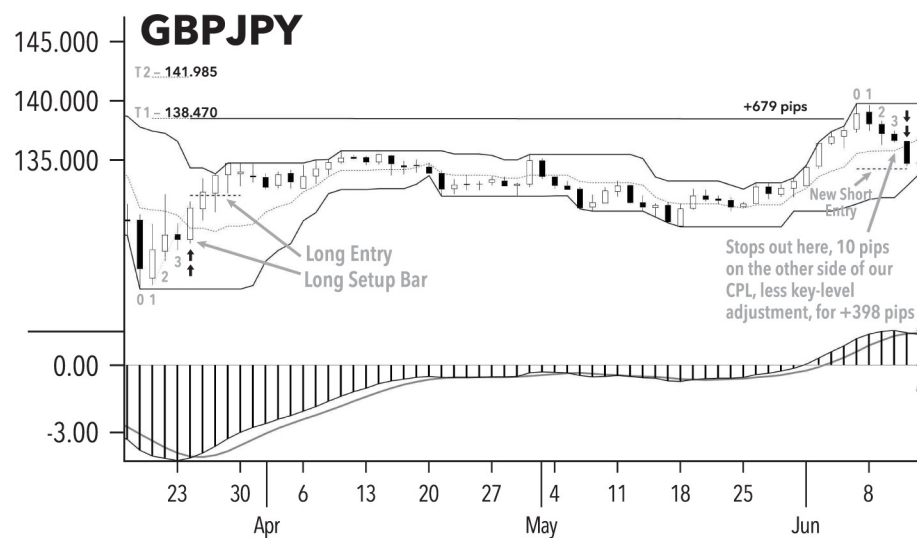


fig. 114

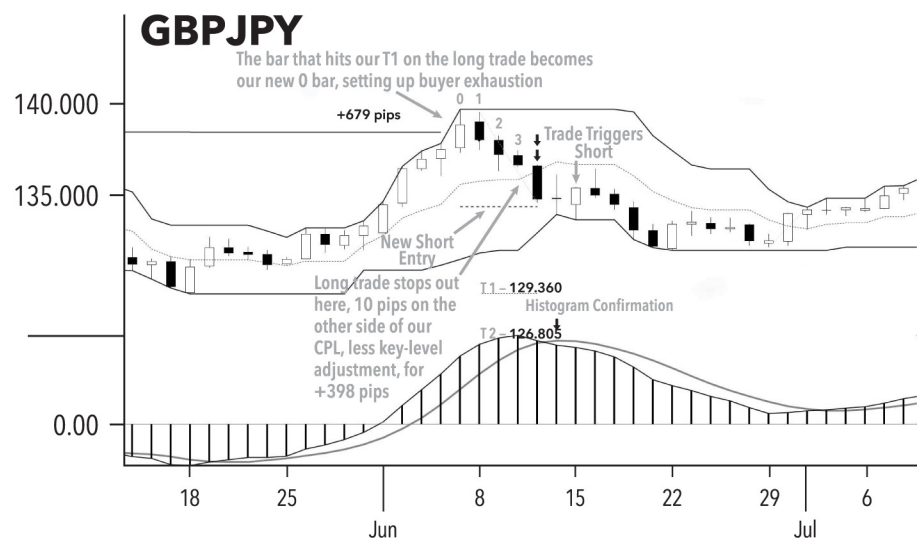


fig. 115

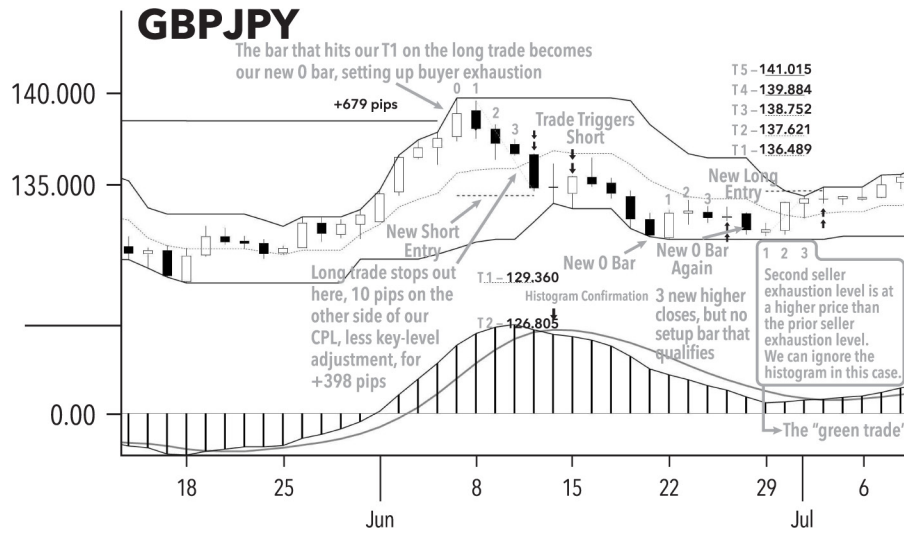


fig. 116

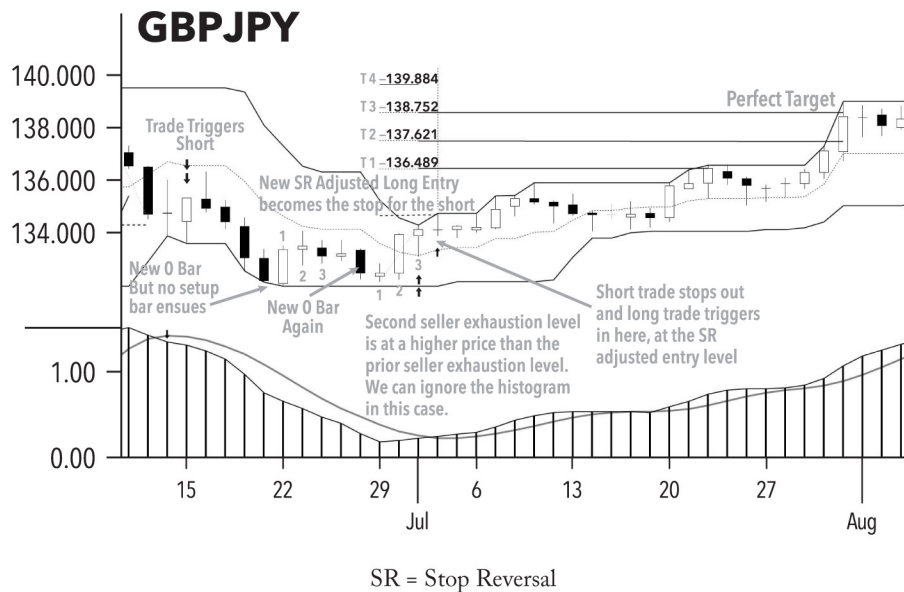
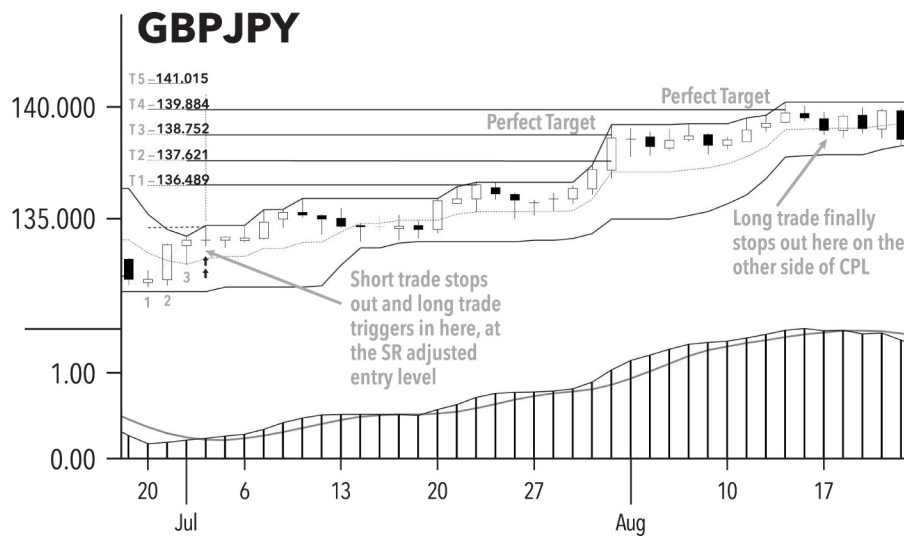


fig. 117



CHAPTER 15

Trading and Digging Ditches

fig. 118

REMEMBER WHAT YOU...	
CAN'T CONTROL	CAN CONTROL
You can't control the rhythm of price action or the market.	You can control how you dance with said rhythm, and this is where you want to place your focus.

fig. 119

Fast-Testing	Example	Notes
Contract symbol	CL	December-Z20
Chart type	8-tick momentum bar	
Start time	10:00 am	EIA report is Wednesday
Stop time	10:59 am	2 ticks above the setup bar
Entry rules	'xyz' strategy	2 ticks above the setup bar
Exit rules	'xyz' strategy	Begin trailing the 'special line' when the price gets 90% to target
Trade management rules	'xyz' strategy	
Min # of trades (per session)	3	
Max # of losses (per session)	2	
Session goals	Target 2 winner	Or two break-even trades
Session win/BE rate	75% - 80% or better	

A sample fast-testing table. For a more detailed breakdown of fast-testing methodology, check out *Day Trading QuickStart Guide*.

Appendix

A Guide to the Currencies and Pairs

fig. 120

CURRENCY SYMBOL KEY			
Symbol	Currency	Symbol	Currency
AUD	Australian dollar	MXN	Mexican peso
CAD	Canadian dollar	NOK	Norwegian krone
CHF	Swiss franc	NZD	New Zealand dollar
CZK	Czech koruna	PLN	Polish zloty
DKK	Danish krone	SEK	Swedish krona
EUR	European Union euro	SGD	Singapore dollar
GBP	Great British pound	TRY	Turkish lira
HUF	Hungarian forint	THB	Thai baht
HKD	Hong Kong dollar	USD	US dollar
JPY	Japanese yen	ZAR	South African rand

fig. 121

PAIRS	
MAJOR PAIRS	MINOR PAIRS
EUR/USD USD/JPY GBP/USD USD/CHF USD/CAD AUD/USD NZD/USD	EUR/AUD EUR/GBP EUR/JPY GBP/AUD GBP/CAD JPY/AUD JPY/CHF JPY/NZD

PAIRS			
EXOTIC PAIRS			
AUD/CAD	EUR/CZK	GBP/SGD	USD/DKK
AUD/CHF	EUR/DKK	GBP/ZAR	USD/HKD
AUD/HKD	EUR/HKD		USD/HUF
AUD/JPY	EUR/HUF	HKD/JPY	USD/MXN
AUD/NZD	EUR/NOK		USD/NOK
AUD/SGD	EUR/NZD	NZD/CAD	USD/PLN
	EUR/PLN	NZD/CHF	USD/SEK
CAD/CHF	EUR/SEK	NZD/HKD	USD/SGD
CAD/HKD	EUR/SGD	NZD/SGD	USD/THB
CAD/JPY	EUR/TRY		USD/TRY
CAD/SGD	EUR/ZAR	SGD/CHF	USD/ZAR
		SGD/HKD	
CHF/HKD	GBP/AUD	SGD/JPY	ZAR/JPY
CHF/ZAR	GBP/CHF		
	GBP/HKD	TRY/JPY	
EUR/AUD	GBP/JPY		
EUR/CAD	GBP/NZD	USD/CNH	
EUR/CHF	GBP/PLN	USD/CZK	

GLOSSARY

10-K

Annual financial report that is required of publicly traded companies.

10-Q

Quarterly financial report that supplements the 10-K.

Ask price

The stock price at which a market maker can guarantee a transaction for a buyer. Think of an ask price as the amount someone is willing to immediately accept in order to buy a stock.

Bid price

The stock price at which a market maker can guarantee a transaction for a seller. Think of a bid price as the amount someone is willing to immediately accept in order to sell a stock.

Bond

An IOU issued by a government or private enterprise in exchange for cash. Bondholders (buyers) are paid interest at fixed intervals and rates and are repaid the bond's full principal amount at a future maturity date.

Bubble

When the price of stocks or other securities becomes inflated due to herd behavior and overzealous investor confidence not rooted in sound fundamental analysis.

Call option

An options contract that guarantees the option "owner" the right to purchase a stock at a specified price (strike price) before a specified expiration date.

Capital gain

A profit resulting from an investor's ownership in a stock or other investment that has increased in value and can be sold at a price higher than its original purchase price.

Capital structure

The way in which a company secures capital. The issuance of debt (bonds) and equity (stocks) are the primary methods of securing capital.

Corporate governance

The layout and functioning of a corporation's management, including a system of rules, control hierarchies, policies, values, shareholder interests, community, and other factors.

Correlation

The similar response of certain stocks to various outside factors, scored on a range from -1 to +1. Two stocks are perfectly correlated if they have a correlation value of +1. They are perfectly non-correlated if they have a correlation value of -1.

Cost basis

The cost basis for a stock is the original cost of obtaining the stock adjusted for income obtained through the stock, such as dividends, capital distribution, and any income gained from selling options on the stock.

Covered call

When a trader selling a call option owns the requisite shares in the underlying asset and is therefore able to readily produce the shares if the option is "called in."

Debt-to-asset ratio

Also known as "debt ratio," a ratio used to quantify the percentage of a company's assets that are financed by creditors.

Debt-to-equity ratio

A comparative measurement of the claims on a company's value exerted by creditors vs. the claims exerted by equity holders (shareholders).

Deflation

When fewer units of currency have the power to purchase more goods and services. Deflation results from a decline in available money supply.

Derivative

A security that derives its price from the price of other assets. Examples of derivative securities include options and commodities futures contracts.

Dividend

Cash payment issued by a company to its stockholders on a regular basis, usually quarterly.

Due diligence

The mandated inspection of a security by brokerages that must take place before the broker brings the security to market.

Earnings per share (EPS)

Total company profit divided by total outstanding shares.

Efficient market hypothesis (EMH)

The theory that all available information about a stock is reflected in its current price.

Equity

A party's ownership percentage in a business, corporation, or other property.

ETF (exchange traded fund)

ETFs are a pre-diversified, tradable security, but unlike mutual funds, ETF prices can fluctuate throughout the day. ETFs operate on the market in essentially the same manner as a stock.

Expense ratio

An annual fee charged by the managers of mutual funds or ETFs. Expense ratios account for administrative overhead and other fixed costs of managing the fund or ETF.

Foreign tax withholding

Taxes applied to investment income earned by nonresident investors.

Fundamental analysis

The evaluation of core quantitative and qualitative attributes defining the financial vitality of a security's underlying assets. In the case of stocks, the subject of a fundamental analysis would be the corporation or business that is issuing the stock.

Growth investing

Investing on the basis of a great story, inspired by companies that are making big splashes in relevant market sectors. Growth investors are open to investing in companies with higher levels of debt, higher P/E ratios, and lower earnings per share (EPS). Compare with "value investing."

Growth stock

A stock that may not have particularly competitive financials but is eagerly sought by the market nonetheless on the basis of anticipated growth rather than dividend income.

GTC limit order

A limit order that is “good till canceled.” A GTC, unlike a regular limit order (see definition below) does not expire at the end of the trading day. GTC limit orders expire only after a specified period of days has elapsed or after the investor cancels them. A 60-day GTC limit order, for example, is good for 60 days or until canceled.

Hedge fund

Speculative, actively managed fund aimed at high-net-worth individuals. Hedge fund managers pursue aggressive growth through the use of derivative securities, short positions, and other forms of complex investment strategies.

Index fund

A mutual fund comprised of stocks that reflect the composition of a specific market index.

Index investing

Investing in a mutual fund or ETF comprised of stocks that reflect the composition of a specific market index.

Inflation

The decline of a currency’s purchasing power.

Initial Public Offering (IPO)

The first open-market offering of equity shares in a newly public company.

Leverage

The application of borrowed capital for the purpose of acquiring investments for a greater return potential, albeit with a greater risk. Leverage can enhance returns and exacerbate losses.

Limit order

An order placed to buy or sell a stock if and only if the stock reaches a specified price. Limit orders are distinct from market orders in that there is no guarantee that the transaction will be executed. Unless the limit order is “GTC” (see definition above) it expires at the end of the current trading day.

Liquidity

A measure of how fast a stock or other asset can be turned into cash.

Long position

An investment whereby a return is realized if the purchased security gains value over time.

Long-term capital gain

Profit made from purchasing a security and holding it for at least a year before selling it for a gain. Long-term capital gains are taxed at the capital gains tax rate, which is generally favorable relative to the standard income tax paid on short-term capital gains.

Marketability

The ability to trade a stock or other asset at a given price at a given volume.

Market capitalization

Stock price multiplied by total shares outstanding. Market capitalization is used as a measurement of a company’s overall size and total value.

Market correction

A sudden downturn in the market due to inflated stock prices and general overestimations of the market’s strength.

Market maker

A firm that publicly quotes stock prices to the public. In order to ensure liquidity, market makers must be willing to buy and sell stock at the prices they quote.

Market order

An order to buy or sell stock whereby the broker commits to an immediate transaction at an available market price. Market orders are used when investors prioritize the immediate execution of a trade over the exact price of a trade.

Mutual fund

A professionally managed investment vehicle divided into shares and powered by investments in stocks, bonds, or other securities, and funded by shareholders.

Mutual fund load

The commission paid to an advisor or broker for researching and selecting a mutual fund on a client’s behalf.

NAV (net asset value)

Used to measure the value of a mutual fund. NAV is the aggregate per-share value of all securities that comprise a mutual fund, minus expenses. NAV values do not fluctuate throughout the day like stock values but instead are priced once at the end of each business day to reflect the day’s valuation change.

New York Stock Exchange

The largest stock exchange in the world, as determined by the combined total market capitalization values of the securities represented on the exchange.

Normal yield curve

The standard relationship between a bond’s term and its yield. In a normal yield curve, the longer the bond’s term (the more time allowed to pass before the bond’s face value is returned to the investor) the higher its yield.

Over-the-counter (OTC) market

Trading venues that are networks of dealers. OTC markets are subject to fewer standards and regulations compared to centralized exchange markets but tend to be fair in transacting securities trades.

Part B prospectus

A secondary component of a mutual fund’s prospectus that often includes important variable expense information and other data not found in the general prospectus. Part B prospectuses are usually not issued automatically. They often must be explicitly requested by the investor.

P/E (price-earnings) ratio

A stock evaluation metric that is calculated by dividing a stock’s price by its earnings per share. Stocks with lower P/Es are considered “cheap.” Stocks with higher P/Es are considered more expensive.

Prospectus

A report issued on behalf of a mutual fund disclosing the fund’s strategy, goals, fixed expenses, and risks.

Put option

An options contract that guarantees the option “owner” the right to sell a stock at a certain price (strike price) before a specified expiration date.

Realized capital gain

When an investor sells out of an investment position at a profit: receiving more cash than what he originally paid to buy into the position. Also known as a “realized gain.”

Rebalancing

The investor’s periodic portfolio checkup, ensuring that asset ownership is proportioned evenly with no undue risk resulting from an over- or underabundance of one asset type or another.

REIT (real estate investment trust)

REITs are funds devoted to the acquisition and management of real estate assets for profit. REITs allow investors to own pieces of properties without having to hire a property management company or self-manage.

SEC (Securities & Exchange Commission)

The federal regulatory agency that oversees the buying, selling, and marketing of stocks, bonds, and other financial securities.

Security

A stock, bond, mutual fund, ETF, or other financial instrument that confers financial value to an extent determined by the market's demand.

Settlement date

Regarding the purchase or sale of a stock, the settlement date refers to the date on which the transfer of cash and legal stock ownership actually takes place.

Short position

An investment transaction whereby a gain is realized if the security loses value over time.

Short-term capital gain

Profit made from purchasing a security and then selling it for a gain within a year's time. Short-term capital gains are taxed at your standard income tax rate.

Slippage cost

The difference between an investor's expected price when buying or selling a stock and the actual price paid or received for the stock. Slippage is the result of swift market changes that may transpire between the investor's placement of an order and the broker's execution of that order. Instances of slippage are usually witnessed following the execution of a market or stop-loss order.

Socially responsible investing

The selection of investments on the basis of moral values and/or positive civic, humanitarian, or environmental implications, in addition to financial return potential.

Stock

Equity shares issued by a business or corporation in exchange for capital to further fund business development and growth.

Stock market index

A measurement based on certain attributes of a qualified assortment of stocks. Stock market indexes are used to track the overall performance of various sections of the market. Examples include the Dow Jones Industrial Average, the Nasdaq, and the S&P 500.

Stock split

When a company divides its shares so that each outstanding share is suddenly worth two shares, three shares, or some other multiple. Theoretically, the stock's price will decrease in proportion to the split, but oftentimes the market will try to buoy the stock back toward its pre-split price.

Stop-limit orders

An order to buy or sell a stock in the event that it drops below (or climbs above) a specified price (known as the "stop price"). Stop-limit orders trigger a limit order (see definition) when the stop price is reached.

Stop-loss order

An order to buy or sell a stock in the event that it drops below (or climbs above) a specified price (known as the "stop price"). Stop-loss orders trigger a market order (see definition) when the stop price is reached.

Tax-loss harvesting

Refers to selling a security at a loss in order to offset income and/or capital gains from the sale of other securities.

Technical analysis

Distinct from fundamental analysis, technical analysis is the evaluation of a stock or other security on the basis of its behavior in the market. Technical analysis concentrates on the perceived trends and patterns that affect a stock's price, whereas fundamental analysis is immediately focused on the vitality (financial and otherwise) of the company itself using financial statements and other reported financial data of the company.

Term

A specified period of time that a bondholder must wait until the bond's principal (face value) is returned. The bondholder is paid interest throughout the term. (Also known as "maturity date")

Trading volume

The total quantity of stock shares being traded during a given time interval.

Unrealized capital gain

Also known as an "unrealized gain," an investment position that has appreciated in value and is still being held by the investor. An "unrealized gain" becomes a "realized gain" when the investor sells out of the position in exchange for cash.

Value investing

Investing on the basis of sound financial fundamentals. Value investors invest in companies that consistently turn profits, pay dividends, have low debt, and are undervalued compared to competitors in the same industry.

Value stock

Stock whose valuation will hold up amid the scrutiny of fundamental analysis (see definition above). Value stocks have low P/E ratios, competitive yield, and reasonable debt levels. And they are undervalued compared to competitors in the same industry.

Volatility

The degree to which a stock or other asset's price is subject to fluctuation. Measurements of volatility may also be applied to markets as a whole. Volatility encompasses not only downside market movement but upward movement as well.